# LOCAL GOVERNMENT GUIDE FOR IMPROVING

# MARKET HOUSING AFFORDABILITY

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Ministry of Community, Aboriginal and Women's Services

Housing Policy Branch

BRITISH COLUMBIA

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*Cover illustration is based on an illustration which originally appeared in a Greater Vancouver Regional District housing publication, Freehold Tenure Row Housing (Summary). Used with permission and thanks.*

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# INTRODUCTION

## BACKGROUND

The provincial government has a policy vision of a thriving housing market responsive to the needs of British Columbians. The policy has two vision-related goals:

- A vibrant and thriving housing industry; and
- Housing needs met for vulnerable British Columbians.

A Market Housing Affordability Strategy has been developed by the Ministry of Community, Aboriginal and Women's Services to support this vision. Part of the strategy is to facilitate private sector initiatives that help meet provincial housing needs. With the cost of housing at record high levels, reducing the cost of market housing is a significant challenge. The provincial government has empowered local governments with a range of planning powers that they can use to facilitate affordable market housing. Consequently, local governments can play an important role in creating market housing, through the regulatory framework and land use planning system.

## PURPOSE OF THIS GUIDE

This guide illustrates how local governments across British Columbia are making positive changes to increase the supply and general affordability of market housing. It also shows how local governments can increase municipal effectiveness by limiting regulatory impediments to the development of affordable market housing.

This guide highlights effective practices and provides practical information for planners, local government officials, non-profit housing providers and private sector developers to consider when embarking on new affordable housing initiatives in their community. The objectives of the guide are to:

- Acknowledge the integral role of local governments in supporting housing affordability, with respect to other levels of government and the construction industry;
- Identify proven, effective local government practices for improving market housing affordability; and
- Provide information for local governments to consider how these practices could be implemented in their jurisdictions.

Note: Secondary suites are the subject of a companion publication: Secondary Suites: A Guide for Local Government.



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## WHAT DO WE MEAN BY AFFORDABLE MARKET HOUSING?

In this report, affordable market housing is market housing that is:

- Affordable to households with a range of incomes, but most often at the low or moderate end of the scale;
- Provided without ongoing senior government subsidy; and
- Characterized by housing attributes such as location, availability, size, design, and quality of housing.

This type of housing relies on private development, usually within the context of a larger development, in return for some concessions or incentives (on a mandatory or voluntary basis). Within this general definition are four sub-categories:

- *Market ownership* – Presumes housing sells at the low end of market prices, but may have additional liveability features such as wheelchair accessibility, etc.
- *Market rental* – Presumes housing rents at the low end of market prices, but may have additional liveability features such as wheelchair accessibility, etc.
- *Low cost ownership* – Non-market ownership, with no senior government subsidy, at less than market cost.
- *Low cost rental* – Non-market rents, with no senior government subsidy, at less than market cost.

## APPROACH

To collect case studies for this guide, a team of consultants researched municipal practices that facilitate affordable market housing from various publications and the Internet. Municipal contacts were interviewed when additional information was required. The consultants developed the following evaluation criteria to select initiatives for the guide:

- The initiative's current usage;
- How effective the initiative has been; and
- Location.

The aim was to ensure a roughly equal distribution among the four types of affordable market housing described above. To find ten case studies, several relatively new initiatives were included.

## ACKNOWLEDGEMENTS

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# THE ROLE OF THE MARKET & GOVERNMENT IN AFFORDABLE MARKET HOUSING

In a market-based economy, the market is responsible for creating the major share of housing, something it does remarkably well. However, for people unable to afford market priced housing, less costly housing is the only solution. Given current market conditions in many areas, affordable housing is challenging to build and cannot be constructed without some form of assistance, such as a subsidy, concession or incentive, typically from one or more levels of government or from the private sector. This chapter outlines the roles of the market and each level of government in creating affordable market housing.

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## THE ROLE OF THE MARKET

Housing is a market commodity. Consequently, supply and demand determines the quantity of housing produced and the selling price. Market housing accommodates a large segment of the population in purpose-built ownership or rental housing, at prices that reflect the cost of construction and local market conditions. However, the market is often unable to build economically viable houses and apartments that are affordable for individuals and families with lower incomes. Affordable market housing may be accessible for some of these households. Units built under federal and/or provincial government social housing programs will also serve only a portion of other low-income households whose needs cannot be met by the market.

The current challenge is to encourage private developers to include some affordable housing units within a market development, in exchange for concessions or benefits. This approach can result in some or all units being produced at the low end of market prices, or in some cases, at levels affordable to those in core housing need.

Even with municipal concessions that make development less costly, without some form of short or long term control, unit prices will be dictated by supply and demand. Thus, if market prices rise, nothing would prevent the affordable units from also rising in price.

## FEDERAL GOVERNMENT ROLE

Although housing is currently a provincial responsibility, the federal government assumed responsibility after the Second World War, as part of the war effort. Canada Mortgage and Housing Corporation (CMHC) was established in 1946 to help house

returning veterans, and expanded its role over the years to include mortgage insurance, research, development, and funding public and social housing. The federal government maintains an active role in social housing through:

- Ongoing subsidies to existing social housing projects;
- The creation of new units through federal-provincial agreements; and
- Subsidies for major repairs through the Residential Rehabilitation Assistance Program (RRAP).

In addition, CMHC works in partnership with the housing industry to encourage the design and development of affordable market housing. It enhances the private housing market through activities such as permitting the use of registered retirement savings plans as down payments for home ownership, and more recently, waiving the requirement for down payments altogether. CMHC also provides mortgage insurance to private and non-profit developers. Partnerships with private and non-profit organizations have been encouraged through the Centre for Public-Private Partnerships within CMHC. This has led to the ad hoc development of affordable housing projects throughout the country, using a variety of tools and resources. Proposal Development Funding (PDF)[1] enables private or non-profit housing proponents to develop affordable housing project proposals to the point where they can apply for mortgage financing.

CMHC also conducts research and disseminates information on affordable housing related issues, with a web page devoted to this topic,[2] and participates in the Affordability and Choice Today (ACT) program.[3]

## PROVINCIAL GOVERNMENT ROLE

The purpose of the provincial Market Housing Affordability Strategy is to support a healthy housing system that contributes to a prosperous economy and a supportive social infrastructure. The strategy works towards three key objectives:

- Increased construction of higher density, lower priced housing;
- Improvement to the general affordability of market housing; and,
- Additional municipal effectiveness in limiting regulatory impediments in the housing market.

Although not the subject of this guide, another important provincial government housing priority is housing the most vulnerable. The provincial government, through BC Housing, is working with non-profit housing providers, the private sector and other levels of government to increase the supply of affordable rental housing for the most vulnerable British Columbians.

Along with the federal government the province continues to subsidize housing units primarily in partnership with non-profit housing providers. The provincial government also provides rent assistance to eligible households renting in the private market.[4]



[1] See http://www.cmhc-schl.gc.ca/en/prfias/abhoas/abhoas_004.cfm
[2] See http://www.cmhc-schl.gc.ca/en/imquaf/afho/index.cfm
[3] See http://www.actprogram.com/
[4] www.bchousing.org

## LOCAL/REGIONAL GOVERNMENT ROLE

Local governments are responsible for ensuring a suitable supply of housing, in a range of types and locations, to meet community needs now and in the future. Communities accomplish this goal through the land use planning process by ensuring an adequate supply of suitably zoned land, the regulatory process, and through servicing and other activities. An Official Community Plan (OCP), a statement of objectives and policies, guides decisions on planning, land use management, and development. Since 1992, policies on affordable, rental and special needs housing must be included in official community plans.

Provincial policies provide the basis for enabling local government activities. Local needs and priorities determine the municipality's role. Increasingly, local governments are faced with a stark reality: they must assist in addressing affordable housing needs via the marketplace, or some residents will be shut out of the housing market. *Planning for Housing 2004*[5] showed that local governments in B.C. are adopting a range of activities, many resulting in an increase in density. Most local governments are taking some action, even if limited to one or two strategies. Many municipalities are promoting medium density, ground oriented housing as a way to address sustainability and affordability. Some larger municipalities are tackling the problem with an approach that involves actions on many fronts. Others are struggling with limited resources, or believe the provision of affordable housing is a senior government responsibility.

Many local governments are taking action to facilitate the development of affordable market housing.

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[5] http://www.mcaws.gov.bc.ca/housing/planhouse/2004/index.htm

# LOCAL GOVERNMENT TOOLS

Municipalities in British Columbia possess a range of powers, tools and resources they can use to identify and help meet affordable housing needs, from policy making to financial incentives. This authority is generally granted to municipalities under the *Local Government Act* or the *Community Charter*. The following section describes each category and a list of tools available within that category. **Tools represented in the examples contained in this guide are marked with an asterisk***. In addition, the Ministry of Community, Aboriginal and Women's Services, Housing Policy Branch website has more information on some of these tools.[6]

## COMMUNITY PLANNING

Local governments have an important role to play in establishing policies that address the need for affordable housing, including affordable market housing. Some examples include identifying housing issues through a housing needs assessment, and developing appropriate responses with a housing policy included in the Official Community Plan or with a housing strategy. Specific tools include:

- *Housing needs assessment*
- *Land use policy*
- *Affordable housing policy** An Official Community Plan must include local government policies for affordable housing, rental housing and special needs housing. (Section 877, *Local Government Act (LGA)*)
- *Design guidelines**

Local governments can facilitate the creation of affordable market housing through community planning, zoning, the approval process, financial incentives, land & partnerships.

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## ZONING

Zoning bylaws are one regulatory method local governments can use to help create affordable market housing. Zoning bylaws are a land use management tool and set the context for addressing housing affordability issues in the development process. Most zoning approaches result in increased densities, either through smaller lots or more units. Several zoning examples are included in this guide. Specific tools include:

- *Density bonus** – Allows a higher level of density on a class of sites, in exchange for amenities. (Section 904, *LGA*)
- *Comprehensive development zoning* – A customized zoning regulation applied to specific sites allows flexibility in negotiating amenities.
- *Rezoning* – Changing the density, usually upzoning, on the merits of individual applications. May include forms of *inclusionary zoning** (developers are required to include an amenity, through comprehensive development zoning or rezoning, usually set out in a local area plan or inclusionary housing policy, or



[6] http://www.mcaws.gov.bc.ca/housing/index.htm

have the effect of a *transfer of density* (transferring density from one site to another, for example, downzoning a church sanctuary to an adjacent upzoned church parking lot.))

- *Small lot zoning** – Zoning for small lots.
- *Housing above shops* – Housing permitted above commercial space.
- *Relaxations/exclusions** – reducing parking requirements, excluding floor space from area calculations, etc.
- *Housing agreements** – Provide a legally enforceable means of securing affordable housing over the long term, & are filed in the Land Titles Office. (Section 904, *LGA*)

## APPROVALS

The approval process is another way local governments can affect housing affordability. When a development application is submitted to the municipality for rezoning or another consideration, a lengthy or complicated approval process can become an added cost factor for the developer. Reducing the timeframe can contribute to the project's overall affordability. Specific tools include:

- *Fast-tracking* – Ensuring applications with affordable housing components receive immediate attention.
- *treamlining development applications** – Proceeding with the application more quickly, with fewer steps.
- *Guidelines** – Clearly stating expectations to facilitate the process.

## FINANCIAL INCENTIVES

Local governments may be able to offer limited direct or indirect financial incentives to developers to help stimulate the creation of affordable market housing. Incentives may take the form of cash grants, possibly from a housing reserve fund, or the reduction or waiving of development fees and taxes. Municipalities' ability to use these approaches differs, depending on size, financial resources and local economic conditions.
Specific tools include:

- *Waiving/reducing fees and charges** – Development cost charges, building permit fees or property taxes may be waived or reduced, in certain circumstances (such as heritage buildings), or when improvements are owned or held by a charitable, philanthropic or other non-profit corporation. (Section 224, *Community Charter* and Section 933 *LGA*)
- *Charging development cost charges (DCCs) at the building permit stage* - Recent legislative amendment has given local governments the authority to waive the exemption from development cost charges (DCCs) for buildings with under-4 units. Local governments now have an incentive to wait until the building permit stage to charge DCCs. This means they will be able to encourage the development of smaller, more affordable housing as they can charge DCCs on a square foot basis rather than number of units, which cannot

be done at the subdivision stage. Delaying the collection of DCCs will reduce carrying costs for developers creating a saving that can be passed on to the home purchaser.

- *Housing reserve funds** – Contributions obtained in a variety of ways and maintained in a fund designated for affordable housing. (Section 188, *Community Charter*)

## LAND

The high cost of land in many B.C. communities is a significant barrier to the development of affordable market housing. Some local governments are addressing this issue by using municipal land in a variety of ways to increase affordability. Specific tools include:

- *Land grants*
- *Leasing land at or below market value*
- *Deferring payments on land leases*

## PARTNERSHIPS

Local governments can form partnerships with other local governments, community organizations, health authorities, universities and provincial agencies to help address housing issues. This approach is most commonly used in the areas of housing research and policy making. Partnerships with others can increase the efficiency and quality of results, by bringing differing perspectives and resources to the table.

# LOCAL GOVERNMENTS IN ACTION

## MARKET OWNERSHIP HOUSING

**CASE STUDY:** **Neighbourhood Initiated Small Lot Zoning**
**OUTCOME:** Market ownership
**LOCATION:** Burnaby
**TYPE:** Zoning

**DESCRIPTION:**

Neighbourhoods in Burnaby can initiate a zoning change to increase density. If the increase is granted, the new zoning allows existing large lots with single-dwelling units to be developed into smaller lots. Permitted uses on the smaller lots include:

- Single dwelling units;
- Semi-detached dwellings and front-to-back duplexes;
- Group homes;
- Home occupations; and/or
- Accessory buildings and uses.

A provision also allows for childcare or supportive housing facilities on the smaller lots, subject to meeting certain conditions. The "neighbourhood" can be as small as a single block or, in the case of one rezoning, as large as 400 lots.

The bylaw allowing the zoning change outlines the requirements for lot area and width, coverage, development density for single and two-family dwellings, heights, depth, yard size, parking, etc. As well, the regulations include a sub-category of the new R12 residential district zoning for neighbourhoods that wish to permit small lots, but allow only single-dwellings to be built on those lots. Burnaby council stresses that higher density creates more affordable units, so wherever practical, the city encourages R12 zoning (duplex).

**IMPETUS**

The initiative was first implemented in 1994. The previous year, residents in a neighbourhood with a mix of large (66 foot) and small lots approached council to ask permission to subdivide the large lots into smaller ones. The neighbourhood was in transition, with older homes beginning to reach the end of their useful span and ripe for redevelopment. Council accepted the increased rezoning request because it was resident-initiated. Staff were instructed to set up a working group to assist with the rezoning. The working group included people from the neighbourhood representing owner-occupiers, absentee-owners and renters covering the range of lot sizes and housing conditions.

The goals of this initiative were to:

- Allow increased density in single-dwelling neighbourhoods where residents support the change; and
- Increase the range of housing choice in single and two-family neighbourhoods.

**STEPS**

Residents in a neighbourhood petition the city to pursue rezoning and introduce small lot, single and two-family development. The petition must include signatures from more than 50% of residents and/or property owners of the area.

A report reviewing the feasibility of the request is prepared for Burnaby's Community Planning and Housing Committee, based on the following criteria:

- Housing character in the area (size of existing lots, age of houses, pace of redevelopment);
- Appropriateness of area boundaries (number of properties, land uses, character of adjacent areas);
- How the proposed area rezoning fits in the city's residential growth management strategy and future residential growth objectives; and
- The priority of a rezoning consultation process in the context of other rezoning processes already underway and other priorities in the planning amd building department.

If the report demonstrates merit for the rezoning and city council agrees, staff are authorized to determine the level of support in the neighbourhood. The process for this includes the following steps.

- A brochure, prepared by planning department staff describing the proposed rezoning, is distributed to all property owners and residents in the defined area. Property tax files form the basis for the distribution list, with the area approximating the original petition area as much as possible. The brochure is also sent to people who live in or own property in adjacent areas. The brochure includes a questionnaire, which is confidential and must only be distributed and collected by planning department staff.
  The questionnaire is designed to determine support or opposition to the rezoning, and is not meant as a referendum;
- A public meeting or information session is held at a venue near the neighbourhood, with city staff in attendance. The meeting allows respondents to become better informed before filling out the questionnaire;
- If the response to the questionnaire is insufficient or not definitive, a maximum of two follow-up notices are sent to owners and residents who did not respond.
- Phone calls are made to contact people when language is an issue, staff have questions regarding a particular response, unusual circumstances occur, or if a resident wishes to submit their response verbally. Generally, phone calls are not

used as a supplementary method to obtain a stronger response rate;

- Responses to the questionnaire determine whether the rezoning proceeds to public hearing or not. Petitions submitted by residents in addition to the questionnaire are not included in evaluating the responses.
- When staff are satisfied that sufficient questionnaires have been returned or sufficient effort was made to elicit a response, the results are analyzed and a report is prepared for the Community Planning and Housing Committee recommending acceptance or rejection. Majority approval is necessary to accept a rezoning. Approval should meet the following criteria and serve as the lowest threshold for recommendation:
    - At least 50% of all property owners and residents in a defined area have indicated support; or
    - Where the response rate is less, at least 70% of respondents and at least 50% of responding property owners and residents support the rezoning. Intense opposition from a significant minority of residents in the area may be a factor in the committee's decision.
- If acceptance is recommended, a public hearing is held. At this time, city council can gauge further public opinion before its final decision.

In some cases, following input from residents, the boundaries of the area to be rezoned must be redrawn. If the reshaping is major, it may be necessary to re-canvass the original study area to gauge residents' views on the new boundaries. If rezoning is rejected, either due to lack of support or through a public hearing, a new petition will not be accepted for at least three years from the date of the rejection. Earlier resubmission will be accepted only if the proposal is substantially different from the rejected proposal.

To support this type of rezoning, Burnaby amended its method for handling works and service improvements for subdivisions. New, dense neighbourhoods do not automatically receive additional services such as sidewalks and it was necessary to address problems with overhead wiring and traffic. While no monetary requirements for developers and builders are required at rezoning, at the time of subdivision, the new regulations allow the city to take a deposit for works and services. The deposit is placed in a fund, which when sufficient, allows for services to be installed in a block.

**RESULTS**

Builders and small developers, many of whom live in the rezoned areas and initiate the process, have responded positively. Large developers are not interested in this type of small-scale project. There have been seven neighbourhood rezoning applications since 1994. Approximately 800 units have been built on the new small lots, creating 400 new units and 400 replacement units for houses that existed on the previous large lots. Ninety percent of the new units are duplexes, even though it is possible to

build single-dwelling units. The duplexes are between 1200-1400 $ft^2$ per unit, and the maximum size of a single-dwelling unit on a small lot is 2400-2800 $ft^2$, with one-third of the square footage in a cellar. Presently small-lot duplexes are selling in the range of $250,000 and $300,000. Duplexes can be more affordable than townhouses and they have no monthly maintenance fees. Since the area is already rezoned, there is no rezoning cost to the individual builder, making the approval process cheaper and quicker than a site-specific rezoning process. The majority of rezoned neighbourhoods are close to transit and shopping. There has been some opposition and issues:

- A minority of people opposed the rezoning in their area.
- Due to negative feedback on the way results of neighbourhood polls were tabulated and the outcomes reported to the city, it was necessary to make the process more transparent.
- Due to negative feedback on having more than one family unit on a smaller lot, council adjusted the zoning to create the single-dwelling unit option (R12S) for such a lot.
- Some surrounding neighbourhoods have produced NIMBY response, expressing concern that their area will be rezoned. The city stresses the proposed initiative is neighbourhood-driven.
- Some people have expressed concern about the lack of design control. Burnaby does not have design controls for new single-dwelling unit or duplex housing developments. Some neighbourhoods opposed rezoning after they saw the style of houses built in other rezoned areas. The planning department has discussed this concern, but it has never reached the recommendation stage.

Burnaby is now nearing the end of neighbourhoods that can be developed in this manner. About 1,000 properties in the rezoned neighbourhoods have not yet been subdivided for greater density.

**COSTS**

The annual staff cost to manage the R12 applications is $15,000.

**CHALLENGES**

- At times, builders have exerted undue influence to persuade owners and residents to approve the rezoning.
- It is essential to have transparency during the feedback process. City staff must ensure residents and owners understand their responses to the questionnaire are confidential.
- Absentee landlords may be difficult to contact.
- Secondary suites are not allowed on small lots. If secondary suites were permitted in duplexes on small lots, the resulting density would be higher than in apartment zoning. However, illegal suites do exist.

- While the price of a duplex unit on a smaller lot will be less than a single-dwelling unit on a larger lot in the same neighbourhood, the affordability of these units is relative.
- The value of any lot with sub-dividable potential has recently increased by about $100,000.

## FACTORS FOR SUCCESS

The factors that have made this program successful include:

- A community-led process initiated by residents, which allows the city to remain neutral and give out information at meetings, rather than needing to advocate for a particular position.
- Council has been supportive and willing to persist the process when faced with resistance from a few residents in a neighbourhood where a solid majority approve of the change.
- Developers have been eager to build on the smaller lots.

## SUITABILITY FOR REPLICATION

This type of neighbourhood-initiated rezoning is definitely replicable in municipalities with older mature neighbourhoods containing large lots. The rezoned area could also include other housing forms such as row housing.

The key to success is for residents to desire and initiate the change. As well, it is beneficial to have one or two staff members manage the neighbourhood rezoning process from beginning to end, who understand the need for a questionnaire and information package that is well thought out, clearly written, and translated into other languages where appropriate.

The key to success is for residents to desire & initiate the change.

## LESSONS LEARNED

- Ensure the process is transparent.
- Ensure there are clearly articulated guidelines to define the public consultation process and the criteria for evaluation.
- Beware of the impact of pressure from builders on residents to rezone neighbourhoods.
- This process typically applies to existing older neighbourhoods with large lots and small houses ready for redevelopment.

## SUPPORTING INFORMATION

Bylaws:

- The R12 Small Lot Single Family Option.
- Report for improvement to the community consultation process
- Bylaw about Residential District R12

2 examples of the brochures and one questionnaire
Information available at http://www.city.burnaby.bc.ca/

## CONTACT INFORMATION

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**CASE STUDY:** **Zoning Tailored to a Development Application for Freehold Row Housing**
**OUTCOME:** Market ownership
**LOCATION:** Port Coquitlam
**TYPE:** Zoning

**DESCRIPTION:**

The City of Port Coquitlam amended its Official Community Plan (OCP) to allow a new RM-3R zone in areas designated apartment that accommodates freehold tenure row housing projects. Various sections of the *Zoning Bylaw* were also amended to accommodate the new use and small lots. To comply with OCP requirements, a public hearing was held to present the amendment to the community and elicit feedback. As well, the city required a legal opinion on the amendment and on aspects of row house maintenance, such as party-wall agreements and building schemes. These steps required about one year to complete.

The rezoning was initiated by a developer who wished to build freehold row housing on an assembled site. While the city did not want row housing to become a replacement for apartment housing, this project was viewed favourably. The developer applied for an OCP amendment, and the rezoning and a development permit were processed concurrently with the amendment. With this work completed, the next application for freehold row housing will require only rezoning and development permit applications.

Port Coquitlam defines a row house as, "A residential use of a building containing only a dwelling unit, on its own lot, which is part of a series of four or more attached dwelling units, each with a separate exterior entrance having direct access to grade, and each separated vertically from the other by a [sic] walls located on the property lines, and each possessing private outdoor space in the rear yard."[7] Row houses differ from townhouses. They are built on narrow freehold lots free of strata entitlements, are higher density, face the street, have access to lanes behind, are three stories high, and are usually quite narrow in width. Row houses are considered an urban housing form and in Port Coquitlam, appropriate for apartment areas.

Party-wall maintenance agreements ensure that common maintenance issues are dealt with amicably. The Land Title Act, section 219 Restrictive Covenant for freehold row housing in Port Coquitlam ensures that maintenance agreements apply throughout the life of the building. As well as maintenance and party-wall agreements, council stipulated that no secondary suites can be built into row house units, and green construction would be used on the site. Green construction refers to native planting, a parking stall per unit built of crushed stone, ultra low-flush toilets, and front yard walkway pavers to unit doors. At this time, the green designation is only attached to the first row house project, but Port Coquitlam council has indicated it wishes to extend similar



[7] From a report to the Port Coquitlam council by the Community and Economic Development Committee, 2003.

green features to other development projects to ensure lower impact on the land.

- No lot shall have a frontage of less than 15% of the perimeter of the lot;
- Buildings shall not be higher than 12 m;
- The lot area shall not be less than 180 $m^2$;
- The lot width shall not be less than 4.87 m;
- Each lot has a minimum of 40 $m^2$ of rear yard with minimum 7.5 m depth, and a front yard with a minimum 3 m depth;
- A side yard no less than 3 m in width will adjoin a flanking street or interior side lot;
- The principle building will not exceed 35% of lot coverage;
- All buildings on the lot will not exceed 55% of lot coverage;
- Maximum floor space ratio will be 1.0; and
- Minimum building cluster length is 19.5 m and maximum is 39 m.

## IMPETUS

The Port Coquitlam OCP encourages innovative and new housing forms to increase housing options for residents. A row house project built in Port Coquitlam in the 1970s experienced problems with the shared nature of the units, creating reluctance to repeat this housing approach. However, when a new freehold project was applied for in 2002, council decided that with clear guidelines, regulations and policies in place, the development could prove beneficial to the community. Council felt the smaller unit size, the project façade, and the small project size (just eight units) would blend well with the neighbourhood of single-dwelling unit housing, many on 33 foot lots. As well, having garages in back lanes would make the project lower in height and more in keeping with the neighbourhood's predominately single-dwelling homes than an apartment block. Because the area is a flood plain, apartment blocks are required to build their garages four feet above ground, further increasing their height above the single-dwelling units. In addition, council hoped that designating a minimum lot width of 16 feet for the freehold row house would make these dwellings a more affordable housing option than houses on single-dwelling lots[8]. Row houses have several advantages over townhouses: they are freehold, have a garage in the rear of the property instead of taking up the first floor or underground, and have a private yard and separate services. The developer and the Greater Vancouver Regional District (GVRD)[9] believe row houses are a good option for land utilization. Financial institutions look favourably on this type of housing because of the freehold ownership, with less complicated restrictions in the case of default or foreclosure.

Row houses have several advantages over townhouses: they are freehold, have a garage in the rear of the property instead of taking up the first floor or underground, a have a private yard and separate services. The developer and the Greater Vancouver Regional District (GVRD) believe row houses are a good option for land utilization.

## RESULTS

The project will consist of eight units of freehold row housing, three stories high. Six units are 1764 $ft^2$ and two units are 1939 $ft^2$. There is a fire separation between units and two parking spots are provided at the rear, one in the garage and the other in the backyard on a gravel pad, in tandem with and accessible through the garage. As the project is not yet under



[8] Port Coquitlam Council examined row house regulations in several Lower Mainland communities that have recently approved row housing projects. It decided on a lot width minimum of 16 feet instead of the 15 foot width requested by the developer. Due to the firewalls, the interior width of the units is 15 feet.

[9] The GVRD has produced a discussion paper: Freehold Tenure Row Housing, available at www.mcaws.gov.bc.ca/housing/

construction, the design of the unit interiors has not been finalized. To keep costs down and the selling price closer to strata-titled townhouse prices, the developer is considering leaving the first floor of each unit unfinished, for the owners to finish later, as well as using basic finishes the owners can upgrade over time.

## COSTS

The costs of this row house initiative include staff time associated with the OCP amendment and with processing rezoning and development permits. Legal fees to prepare documents were estimated at between $6,000 and $8,000, but in this case, the developer agreed to pay these costs.

## CHALLENGES

For the municipality:

- Staff and council need adequate time to create the new zoning and amendments to the OCP and legal documents, and to negotiate the details of the specific zoning bylaw for a first project.

For the developer:

- The developer must allow time to negotiate a new housing form with the planning department, and for the municipality to draft amendments to the OCP and the *Zoning Bylaw*, as well as to research and create the necessary legal agreements.
- Given land and construction costs, this type of small-scale project makes it more difficult to ensure economic viability. Strata-titled townhouses are the main competitor for row houses. A developer may increase economic viability by reducing the minimum width of each unit, allowing more homes on a single site. For the Port Coquitlam project, each unit in the row house is serviced separately. This is not the case with townhouses and is added to the cost.
- The developer requested that secondary suites be allowed, but the city turned down this request because of the limited parking space available.

## FACTORS FOR SUCCESS

The project has not yet begun construction, so it is too early to determine the degree of success. Developers wishing to build row houses in Port Coquitlam now merely have to apply for zoning and development permits. A second application for a row house project is already in process from the same developer, with ten freehold units split into two buildings of five units each. Row housing usually appeals to small or medium-sized developers. The freehold tenure row housing must be economically viable or the developer will choose another form of housing for the site. City council and staff must be willing to take on work necessary to allow for this housing option.

## SUITABILITY FOR REPLICATION

This type of project should be replicable in other jurisdictions where a market exists for freehold housing that is more affordable than detached single-dwelling units, and the need and/or desire exists to create more efficient land base utilization and alternative housing options.

## LESSONS LEARNED

- The first row house applicant in a municipality needs a clear understanding of the process for developing new row house zoning and approximately how long the process will take.
- The city needs to set aside staff time to develop changes to the OCP, zoning bylaw, and related documents and agreements.
- Row house units are typically connected with separate services, so the developer needs to understand additional associated costs.
- $6,000 to $8,000 will be required to develop the legal documents. In Port Coquitlam, the developer agreed to reimburse the city.
- Early discussion among various city departments is critical in approving this new housing form to ensure buy-in among all parties.

## SUPPORTING INFORMATION

Zoning Bylaw No 2240
Report to Council – Sept. 03 for the rezoning of assembled site for row housing.
Draft Terms of Instrument (219 Covenant) including party wall agreements, etc.
Information available at http://www.city.port-coquitlam.bc.ca
*Freehold Tenure Row Housing*, a discussion paper from the GVRD
Available at http://www.gvrd.bc.ca/growth/publications.htm

## CONTACT INFORMATION

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**CASE STUDY:** **East Clayton Neighbourhood Concept Plan**
**OUTCOME:** Market ownership and market rental
**LOCATION:** Surrey
**TYPE:** Zoning

**DESCRIPTION:**

To create more affordable housing and a more diverse neighbourhood, the *Neighbourhood Concept Plan* (NCP) for the East Clayton area of Surrey includes zoning for a range of densities, and permits both secondary suites and coach houses.

The NCP contains policies, performance standards and design guidelines to implement a complete community based on the principles of sustainable development. The plan features a green infrastructure program to reduce the costs of the storm drainage system, protect and enhance the environment, increase access to recreational opportunities, protect habitat, maintain stream hydrology and water quality, eliminate the need to remove soil from the site, and enhance community value, quality and appeal.

The NCP encourages a diversity of housing types, sometimes on the same block. It designates live/work districts, and provides for pedestrian and bicycle routes, a dedicated greenway, parks, libraries, schools, & neighbourhood commercial facilities within walking distance of all residences.

The estimated housing capacity for East Clayton is 4739 units. Sixty per cent of the lots must have rear lane access. The density ranges for housing in the East Clayton NCP are:

- *Half-acre residential* (Up to four units/acre) –This zoning recognized an existing subdivision of single-dwelling units on one acre lots.
- *Low density* (6-10 units/acre) – Detached single-dwelling units, option of coach houses and secondary suites on single-dwelling unit lots, duplex homes.
- *Medium Density* (10-15 units/acre) – Detached single dwelling units, optional coach houses, or semi-detached homes.
- *Medium-High Density* (15-25 units/acre) – Row houses, townhouses, stacked townhouses, semi-detached, duplex and single-dwelling units with coach houses.
- *High Density* (22-45 units/acre) – Townhouses, stacked townhouses, row houses and garden apartments.
- *Mixed-Use Commercial/Residential* (25-45 units/acre) – Residential units above ground floor commercial.
- *Special Residential* (10-15 units/acre) – A mix of townhouses, row houses and single-dwelling units on small lots, with the option of a small-scale, low impact retail, service, commercial, or other businesses, as part of the residential units. This zoning applies to transition zones between the business park and residential areas, & could include artists' workshops, gift shops, coffee shops, business offices, etc., located either within dwellings or in ancillary buildings & rear garages on the same lots.

## IMPETUS

The goal of the East Clayton *Neighbourhood Concept Plan* is to create a sustainable neighbourhood. East Clayton is an area of approximately 250 hectares located near the Surrey/Langley border. Prior to the NCP, it consisted primarily of housing on large acreages and hobby farms. The Surrey OCP, adopted in 1996, contains goals for complete and sustainable communities which:

- Offer a range of housing choices, services, and employment;
- Offer opportunities at high enough densities to support convenient access to services and transit;
- Consist of pedestrian-friendly neighbourhoods; and
- Protect the quality and integrity of ecosystems by maintaining environmentally sensitive areas and managing the quality and quantity of storm-water runoff.[10]

## STEPS

Planning for East Clayton occurred in two stages:

1. The adoption of the *General Land Use Plan* for Clayton, which created a vision for the larger community that defined general land uses and established a servicing and phasing strategy, a master drainage plan, and a list of environmental objectives. Clayton is divided into eight neighbourhoods for further, more detailed planning.
2. Preparation of a more detailed NCP for East Clayton.

Both stages involved an intense public consultation process involving property owners, government agencies, utility companies, the land development industry, and the public. The consultation included a number of charrettes, public meetings and questionnaires, and lasted about two years. A 15-member East Clayton Citizen Advisory Committee (ECCAC) represented residents and property owners to assist with the process and to ensure that local citizens were knowledgeable about the principles of the NCP.

During the charrettes, seven sustainability principles were identified, which Council instructed staff to apply to the East Clayton area:

| | |
|---|---|
| Principle #1 | Increase density and conserve energy by designing compact walkable neighbourhoods. Encourage pedestrian activities where basic services (e.g., schools, parks, transit, shops, etc.) are within a five-to-six-minute walking distance from homes; |
| Principle #2 | Provide a mix of housing types and densities in the same neighbourhood and even on the same street; |
| Principle #3 | All dwellings should present a friendly face to the street to promote social interaction; |
| Principle #4 | Ensure that car storage and services are handled at the rear of dwellings; |
| Principle #5 | Provide an interconnected grid or modified grid street pattern, to ensure a variety of itineraries and disperse traffic congestion; |



[10] Material in this report is from: City of Surrey Planning and Development Department, East Clayton Neighbourhood Plan, March 2003, and a Corporate Report, February 2004, available on the City of Surrey site on the Internet.

| | |
|---|---|
| Principle #6 | Provide narrow streets shaded by rows of trees in order to save costs and provide a greener, friendlier environment; |
| Principle #7 | Preserve the natural environment. Promote natural drainage systems where storm water is held on the surface and permitted to seep naturally into the ground. |

The NCP also promoted the principle to "economize." Economizing included orienting units to gain maximum passive solar heat, reducing the cost of infrastructure, maximizing land use efficiency, incorporating financial devices such as mortgage helpers in the form of secondary suites and coach houses, and facilitating opportunities to supplement income by allowing home-operated businesses. To create the East Clayton NCP, partnerships were set up between city departments and:

- The UBC James Taylor Chair in Landscape and Liveable Environments, to help demonstrate how to design and build affordable, equitable, and ecologically healthy communities. It provided leadership and technical expertise on principles of sustainability in urban design, & in using the charrette method, &
- The Pacific Resources Centre which assisted with designing and facilitating an integrated planning process, and

The charrette process encouraged the involvement of a broad range of stakeholders with a variety of interests and skills, shared awareness, and determination to act jointly. The design team set out rules to ensure everyone operated with the same information. Urban design experts complemented municipal engineering and planning staff involvement. The process was designed to promote awareness of the concept and principles of a sustainable urban community and to reinforce acceptable solutions. Planning issues were resolved to the point where all constituencies agreed the plan could advance to the presentation and approval stage with no outstanding issues.

City council approved the East Clayton NCP in March 2003, and considers the NCP a pilot project. If successful, the NCP standards may be applied to other areas.

**RESULTS**

The East Clayton Neighbourhood is building out much faster than anticipated. As of February 2004, less than one year following NCP approval, almost half of the estimated capacity for East Clayton has either been developed or is under development application. This translates to 2,175 dwelling units out of an estimated capacity of 4,739 units, representing 1,030 homes on single-dwelling unit lots, and 1,145 multiple family units.

Developers displayed some resistance to the new drainage regulations. This was partly alleviated by financial assistance from the Greater Vancouver Regional District and city and federal governments (see costs below). One development is now marketing units as being in "Surrey's First Sustainable Community." There was some resistance to the rear lane requirement, but the market now appears to have embraced this housing form.

Opposition from landowners and residents was minimal. The higher density zoning increased property values for landowners who were represented on the East Clayton Citizen Advisory Committee. There was some opposition to the subdivision pattern and uniform housing types in the first phases of the NCP. Subsequent developments have incorporated a greater variety of housing types and densities. City Council directed staff to continue to promote awareness of the sustainability principles that form the basis for the NCP to both developers and the community. The prevailing attitude emerging in surrounding neighbourhoods is that growth, if it is going to occur, should follow the principles of sustainability.

The large number of small lot, single-dwelling units and duplexes makes East Clayton more affordable. As well, provision for coach houses + secondary suites in every house offer affordable rental accommodation + the option for a mortgage helper.

The large number of small lot, single-dwelling units and duplexes makes East Clayton more affordable. As well, provision for coach houses and secondary suites in every house offer affordable rental accommodation and the option for a mortgage helper. So far, there have been no applications for coach houses in the backyard of new homes. Surrey is considering requiring them in certain areas of East Clayton. Affordability is also increased by cost savings arising from a reduction in the average length of a development's approval process. Zoning and subdivision approval occurs more quickly within the context of a Neighbourhood Plan.

## COSTS

Surrey did not calculate the costs of three years of staff time associated with creating the NCP. Some components of the process (charrettes, research and preparing documents) were funded by UBC and the Real Estate Foundation. As well, Surrey received several grants from the provincial government and Canada Mortgage and Housing Corporation (CMHC) to assist with the start-up.

Additional costs to developers for the range of sustainability features are $5,700 per lot. To mitigate these costs, the city applied for and received an $862,000 grant from the Canada/BC Infrastructure Program, and a $200,000 grant from the GVRD to implement and monitor the performance of infiltration best management practices. With this grant, developers can apply to receive a reimbursement of up to 75% (to a maximum of $3,750) of their on-site infiltration costs.

## CHALLENGES

There is a need to minimize risk while maximizing affordability:

- Developers must be able to develop marketable, profitable products;
- Local governments need infrastructure with manageable operation and maintenance costs; and
- Senior governments should support local pilot initiatives that improve quality of life.

Challenges related to creating the NCP included:

- Developer buy-in/specialization in the development industry;
- City buy-in and staff flexibility in dealing with NCP policies that broke new ground;
- Expenses associated with the first phases of development;
- Fragmented ownership of properties made consolidation more difficult;
- Managing expectations.

The municipality remains firm in its support of the East Clayton sustainability principles, and at the same time, open to listening to the community for beneficial changes. There is a commitment to educating new owners about their neighbourhood, so they do not object to features of the NCP, such as small lots on the next street to their larger lots.

## FACTORS FOR SUCCESS

Surrey considers the initiative a success. By adhering to principles and regulations in the NCP, the plan is building diversity into the neighbourhood in a much shorter time than might occur under a less-structured process. Success in establishing the NCP largely depended on:

- Involving a wide array of stakeholders at the outset of planning, and regular open dialogue with stakeholders throughout the process;
- Third party assistance that offered technical expertise to resolve disputes;
- Financial assistance to meet sustainability goals.

By adhering to principles and regulations in the NCP, the plan is building diversity into the neighbourhood in a much shorter time than might occur under a less-structured process.

As well, UBC is conducting follow-up studies of affordability in East Clayton, including: Do owners see any monetary benefit from higher energy efficiency standards? The results of these studies could be used to educate builders and future home purchasers.

## SUITABILITY FOR REPLICATION

This type of large-scale neighbourhood planning process can be replicated, but requires early, consistent support from city council, and the commitment of an appropriate level of staff resources. It also requires strong commitment to community participation, consultation and education, with a well-orchestrated strategy to accomplish the plan. The right market conditions are also needed. If developers are reluctant to try new ideas, municipal leadership can play an important role in educating consumers. The website, www.waterbalance.ca, contains a sustainable water management model other municipalities can use.

## LESSONS LEARNED

- Manage expectations.
- Make sure all relevant issues are being addressed through the process.
- Secure funding to assist with start-up.
- New ideas need a champion.
- Risk needs to be shared.

## SUPPORTING INFORMATION

Reports to Council:

- Feb.03: Final Report to Council on NCP, recommending approval; and
- Feb 04: Report on the status of development

Information available at http://www.city.surrey.bc.ca
*Designing With Nature: Integrate Perspectives to Achieve Sustainable Community Design* – From the Outreach and Continuing Education Program prepared for the Water Balance Model Forum held in May 04.

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## LOW COST RENTAL HOUSING

**CASE STUDY:** **Inclusionary Zoning for Affordable Housing**
**OUTCOME:** Low cost rental housing
**LOCATION:** Bowen Island
**TYPE:** Zoning

**DESCRIPTION:**

Inclusionary zoning allows a development to be rezoned for added density in exchange for amenities or affordable housing. It was successfully used with the Cates Hill development, a large market housing project on Bowen Island, to produce 26 rental units. A covenant on title and a housing agreement ensure that the rental accommodation will remain rental for 25 years, as a condition of rezoning. Rents are required to be at least 15% below the average Vancouver Census Metropolitan Area (CMA) rents determined by CMHC.

The Municipality of Bowen Island was only incorporated in 1999. The *Official Community Plan* (OCP), initially approved when the Islands Trust governed Bowen Island, includes a policy that allows rezoning when amenities, including affordable housing, are provided to the community as a result of the change in land use.

The OCP policy supported the process for the Cates Hill development that adjoined the village centre area and included 106 single-dwelling unit lots, commercial space and parkland. Other policies in the OCP provide opportunities for developers to purchase density from one property and use it to increase density on another property to more than 15 units per acre. The owner of the property giving up the density agrees to reduce that property's density, dedicate the property for parkland, and register restrictive or conservation covenants on the property. At present, no donor/receiver areas have been specifically identified. Each proposal will be looked at individually on its merits.

Rezoning on Bowen Island may be a lengthy process because of significant public input. For example, rezoning for the Cates Hill Development took six years. Comprehensive zoning would typically be used for large developments like Cates Hill.

**IMPETUS**

The driving force for this initiative was a lack of affordable housing on the island and the desire for a mix in the social fabric. Vacancy rates on Bowen Island are low. Many people rent their cottages during the winter but use them in summer, so finding year-round accommodation can be difficult. Secondary suites are illegal, although they do exist. Other important factors limiting affordable housing on Bowen Island include:

- The municipality does not permit condominiums;
- Every unit of housing must have its own access to the street; and
- The price of land is high.

While the OCP contains policies to guide rezoning proposals, council is cautious when considering requests. However, it was recognized that some municipal intervention was necessary if affordable housing units were to be built.

The Islands Trust conducted the initial negotiations for rental housing at the Cates Hill development. When the Municipality of Bowen Island was created in 1999, it endorsed the inclusion of rental housing on the Cates Hill site. The *Housing Agreement* governing the affordable rental housing came into effect in that year.

## RESULTS

The Cates Hill development contains two affordable rental components targeting singles and families. These include:

1. Fourteen one to three-bedroom units as part of a mixed commercial-residential building; and
2. Twelve units in two buildings on the same site as the Bowen Island Municipal Hall (three studios, three one-bedrooms, two two-bedrooms plus den, and four three-bedroom units). The municipality rents the hall from the developers.

The units are in the town centre within walking distance of shopping and the ferry to Horseshoe Bay. An additional twelve rental units could be developed at Cates Hill.

**Cates Hill rents compared to average market rents from 2003 Vancouver Rental Market Report from CMHC**

| Bedroom size | Monthly rent on Bowen Island | Average CMHC Market rents | % Below Market |
|---|---|---|---|
| Studio | $595 | $654 | 9% below* |
| 1 Bedroom | $617 | $759 | 18.7% below |
| 2 Bedroom + Den | $895 | $1042 | 14% below** |
| 4 Bedroom | $1105 | Not collected by CMHC | |

* At Cates Hill, the studios are ground-oriented and located in a duplex or triplex building. The CMHC multi-family studio benchmark is not considered by the developer to be an accurate benchmark for the studio units and therefore the market rent on charged at Cates Hill is somewhat higher than 15% below Vancouver CMA average.

** CMHC does not determine average rents for a 2 Bedroom + Den. The figure used in this table, $1042, is the average of the CMHC average monthly market rents for a 2 Bedroom ($965) and a 3+ Bedroom ($1119) and is used solely as an illustration of rents for this Guide.

Developers are beginning to show interest in the model used at Cates Hill to obtain multi-family density through comprehensive zoning. Most developers are residents and regard the amenities as beneficial to the island. For the most part, residents are pleased & support the project. A co-housing group on the island is currently looking for opportunities.

Negative comments included some initial concern about the aesthetics of the project. As well, there was concern that the units remain affordable rental and not be converted to strata title at a later date and sold off. Staff explained that in the 25 years of the *Housing Agreement* this could not happen.

## COSTS

Bowen Island provides development planning on a cost recovery basis. Staff time beyond the initial application fees is charged back to the developer.

## CHALLENGES

- Because increasing density in exchange for amenities is a new concept on Bowen Island, a publicprocess is needed to mitigate NIMBY reactions as much as possible.
- This type of project may be harder to replicate outside a village centre area.
- Rental units may differ in size and features from those measured by CMHC, causing difficulty in using standard CMHC benchmarks to calculate rent.

## FACTORS FOR SUCCESS

This initiative achieved the municipality's goal to secure affordable rental housing and was accomplished in conjunction with the developer. There was support from both developers and the community for the concept of a mixed community. Other necessary factors for success include:

- Making sure the OCP has policies to support housing amenities in rezoning packages.
- Talking to and educating the public to gain support. This requires much work but is worth the result.

## LESSONS LEARNED

- Provide the opportunity for community participation early on in the process.
- Go out to the community rather than waiting for people to come to you.
- Display the rezoning proposal in a less formal setting, like a coffee shop, for public viewing.

## SUITABILITY FOR REPLICATION

All municipalities have the authority to use inclusionary zoning to obtain affordable housing and amenities through major rezoning processes.

## SUPPORTING INFORMATION

*Housing Agreement*

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**CASE STUDY:** **Community Benefit Bonus**
**OUTCOME:** Low cost rental
**LOCATION:** Burnaby
**TYPE:** Zoning

## DESCRIPTION [11]

The Community Benefit Bonus (CBB) offers additional density to developers in four town centre areas in Burnaby, in exchange for providing affordable housing, social amenities, or a combination of the two. In the case of affordable housing, the city wishes to receive and maintain title to the affordable units created in a development under the CBB. It then leases the units to a non-profit organization, which selects eligible residents and, if required, supports the residents in their homes with appropriate assistance. The non-profit also participates in the design of the units, which are constructed for particular resident groups. So far, the CBB has resulted in 25 low cost rental units in three developments.

The bonus is implemented through a zoning bylaw, which includes base densities and ultimate densities, and provides clear guidelines for assessing bonus density proposals. Regulations and conditions related to bonus density are contained in the bylaw's supplementary section:

- *Regulations* include a list of potential amenities, & refer to the Floor Area Ratio (FAR)[12] bonus available for developments in designated town centre areas.
- *Conditions* include the requirement that comprehensive development be used.

The bonus is implemented through a zoning bylaw, which includes base densities and ultimate densities, and provides clear guidelines for assessing bonus density proposals.

Each town centre has different affordable housing needs. Staff are currently identifying gaps and assets in each town centre to clarify housing and amenity needs for developers wishing to use the CBB. The table below indicates base and bonus densities for the affected Districts in Burnaby:

| District | Current Maximum Density (FAR)* | Community Benefit (FAR) | Maximum Bonused Density (FAR) |
|---|---|---|---|
| RM1 | 0.6 | 0.1 | 0.7 |
| RM2 | 0.9 | 0.1 | 1.0 |
| RM3 | 1.1 | 0.15 | 1.25 |
| RM4 | 1.7 | 0.3 | 2.0 |
| RM5 | 2.2 | 0.4 | 2.6 |

* Assumes underground parking



[11] Material taken from the interview and from a report by the Director of Planning and Building to Burnaby City Council, Feb. 20, 1997, on Community Benefit Bonus (CBB) for Affordable Housing and Amenities in Town Centre Areas, the purpose of which was to recommend implementation of Phase I of the CBB in town centre areas.

[12] Floor Area Ratio refers to the amount obtained when the gross floor area of all buildings on a lot (less the exclusions permitted in accordance with section 6.20 of the Zoning Bylaw) is divided by the area of the lot.

In Burnaby, affordable housing must meet an identified community need. It is not housing the private market can provide through rezoning (e.g. comprehensive development zoning) or other channels. Planning staff are involved in identifying needs. The CBB policy balances the need to establish extra density that appeals to developers with good community planning principles. The developer and city reach a mutual agreement on the proposed level of density and amenity gained, and all developments are treated as equitably as possible. The housing gained is in the increased density area, preferably on the site benefiting from the bonus, but if this is not possible, within the same town centre area.

Burnaby takes the lead in suggesting a density bonus to the developer. Housing provided through the CBB is secured through a housing agreement registered on title. The housing agreement includes details of ownership, the value of the bonus, the size of the units, and other pertinent details. Each housing agreement is negotiated separately with the developer.

In areas where affordable housing is at risk of being demolished for higher priced units, a density bonus program could be created to offer a bonus in exchange for providing replacement housing.

In areas where affordable housing is at risk of being demolished for higher priced units, a density bonus program could be created to offer a bonus in exchange for providing replacement housing.

**IMPETUS**

Burnaby's four town centre areas are zoned multi-family. Council wanted to increase the supply of low cost housing in these centres, which can support additional density (for example, an increase in density from 2.2 to 2.6). In July 1996, the Housing Committee submitted a report to council detailing a bonus rezoning policy for residential developments in the town centres that would lead to added density, in exchange for amenities and/or affordable housing contributions. Changes to the *Local Government Act* in 1997 allowed cities to alter density in this manner. Burnaby's CBB was first implemented in 1998. The initiative was carried out in two stages:

1. The policy was adopted.
2. Amendments to the *Zoning Bylaw* and the Town Centre Development Plan were created:
    - The amended *Zoning Bylaw* referred to the Community Benefit Bonus (CBB) policy and outlined parameters for considering bonus density.
    - Specific needs for amenities and affordable housing are being identified in each town centre area.

**STEPS**

The city is asking non-profit housing groups to submit Expressions of Interest (EOI) for operating affordable housing units in CBB projects. As well, it is currently identifying gaps in housing and amenities in each of the town centres. There are two phases to the CBB:

1. In Phase I, the need for an onsite amenity or affordable housing is identified on a site-specific basis. Existing community plans are amended to provide the framework for amenities and affordable housing options, with refinements occurring over time as part of the normal review process.
2. In Phase II, an onsite amenity or affordable housing is deemed impossible or undesirable (this phase has not yet been implemented). In this case, the developer would be given the opportunity to increase density while contributing to a fund that provides amenities and/or affordable housing somewhere else in the same town centre.

The City of Burnaby rejected using a detailed pro forma plan to assess the value of the density bonus. Instead, council looked at two municipalities using a density bonus policy, and decided to adopt Vancouver's formula for calculating contributions:

Contribution = bonus floor area (in $ft^2$) × market land value (in $ per buildable $ft^2$)

***Valuation of the Bonus***

In the private market, developers purchase land at market value, develop the land and anticipate making a profit. The value of the amenity received is equivalent to the increased value of the property arising from the density bonus. If the city were to share (e.g. 50/50) the value of the extra density with the developer, as a policy, the net result would be an increase in property values in properties eligible for a density bonus, since land trades at maximum density value.

The application of the basic principle—value of amenity or housing = market value of bonus space—may need to be marginally adjusted for a particular site or project characteristics through a negotiated process with the developer and the city. There may be some good reasons for encouraging development in one location over another. The size of the density bonus, with contributions going to housing, could vary:

1. A higher bonus could be given for:
    - Units developed under senior government non-profit housing programs;
    - Price-controlled limited-equity market units;
    - Units controlled/managed/owned by non-profit housing providers;
    - Guaranteed rental units with rent control mechanisms; or
    - Housing for those with special needs such as physical or mental disabilities, victims of violence, etc.
2. A more modest bonus could be given to:
    - Adaptable or special needs units;
    - Guaranteed rental or time-limited units; or
    - A few units of non-market housing in a larger development.

## RESULTS

Twenty-five new rental units in three developments have been created by the Community Based Bonus program: four, nine and twelve units respectively. The units in two developments are universal design[13]. One development is designed to house individuals with mental and physical disabilities and includes a unit for a caregiver. The units are located in the town centres near shopping and public transportation. As residents previously occupied marginal housing, often far from services, the new units offer a great improvement to their lives. Rents are calculated at 30% of residents' income and go towards strata maintenance fees and upkeep. Any surplus is placed in a replacement reserve fund for unexpected maintenance items.

## COSTS

The annual cost in staff time to administer the CBB is $15,000.

## CHALLENGES

- Ensuring affordable housing remains a prominent option when applying the CBB and that the bonus is not always put toward other amenities. As the program gains momentum and the availability of bonus amenities increases, other municipal departments and entities like the library board, engineering, and parks and recreation are advocating for contributions to meet their needs. It can be difficult to rationalize four units for four households, when an amenity like a skateboard park serves a much larger population. As a result, it is important to develop principles to guide the discussion regarding housing versus amenities. Burnaby is currently developing such guidelines.
- Ensure that societies operating the units are selected early, at the design stage, to allow input to the developer about the specific needs of the target population.
- There is a concern with the impact of a declining real estate market on the CBB. For example, if land prices fall, the affordable units arising from the density bonus could become too costly for the builder to absorb.

## FACTORS FOR SUCCESS

Burnaby received assistance to develop the CBB from the Urban Development Institute Municipal Liaison Committee. It also studied density bonus policies in other municipalities. The city has learned from each development using the CBB, and has been able to improve the process as a result.
Other factors for success include:

- Having the right economic climate. In areas or times where developers are not building out to the maximum density, this initiative will have no impact.
- A developer committed to the project's success.



[13] "Universal design, sometimes known as barrier-free building design, is the design of products and environments to be usable by all people, to the greatest extent possible, without the need for adaptation or specialized design…Universal design recognizes that people have a range of capabilities and they need designs of buildings and tools to include this range." www.waterlooregion.org/spc/trends/disabilities/design.html

## LESSONS LEARNED

- Non-profit housing providers have great interest in using density bonus programs like the Community Benefit Bonus.
- The legal framework must be clear and include a comprehensive, housing agreement that specifies details down to the type of finishes to be used in construction, especially when dealing with universal design.
- The most successful projects use local organizations to administer the housing or a group with experience in the community.

Non-profit housing providers have great interest in using density bonus programs like the Community Benefit Bonus.

## SUITABILITY FOR REPLICATION

While high rises create the greatest potential for the CBB, the practice will work with all housing types with higher densities than townhouse developments.

## SUPPORTING INFORMATION

Density Bonus as a section in *Supplementary Regulations of the Zoning Bylaw.*
*Report to Community Planning & Housing Committee from the Director of Planning*, with recommendations to create the CBB.
Information available at http://www.city.burnaby.bc.ca/.

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**CASE STUDY:** **Downtown Heritage Tax Incentive Program**
**OUTCOME:** Low cost rental
**LOCATION:** Victoria
**TYPE:** Financial incentive

**DESCRIPTION:**

With the Downtown Heritage Tax Incentive Program (TIP), the City of Victoria provides a tax exemption to help defray the cost of seismic upgrading in heritage-designated commercial buildings in the downtown core, especially those with vacant or underused upper storeys that can be converted to residential units. The maximum exemption term is ten years, and covers municipal and school taxes only. Other charges, such as the hospital tax, regional transit levies, local improvements, etc., remain in effect. The exemption is based on a formula, where the cost of seismic upgrading is divided by the pre-conversion annual property tax, to produce the number of years of tax-free status. The program is administered in cooperation with the Victoria Civic Heritage Trust.[14]

**IMPETUS**

In the 1980s, a number of developers were renovating downtown commercial heritage buildings in Victoria, with some provincial grant assistance. This activity had ceased by 1990. In 1992, the city commissioned a report on residential conversions, the *Downtown Heritage Building Housing Study*, which concluded that two of the three potential conversions studied required significant public subsidies to make them profitable. As well, the report concluded that seismic upgrading would cost from 21% to 35% of the overall conversion budget, a significant, if not prohibitive, amount.

A further study looked at heritage conversion programs in other jurisdictions, and interviewed owners of twelve Victoria heritage buildings. As a result, Victoria established a Tax Incentive Program (TIP) in early 1998 to address the concerns of both studies, especially the high cost of seismic upgrading, and to encourage developers to rehabilitate downtown heritage properties and create housing. In doing so, Victoria became the first B.C. municipality to take advantage of new provisions in the *Local Government Act*.[15]

This legislation allows municipalities to exempt heritage properties from city taxes for up to ten years.

This legislation allows municipalities to exempt heritage properties from city taxes for up to ten years. Victoria chose to determine the exemption by using the cost of seismic upgrading. As well as supporting the upgrades and providing housing, the program is also seen to be "counteracting urban sprawl, increasing public safety downtown, and making more efficient use of public infrastructure and services".[16]



[14] Victoria Civic Heritage Trust is an independent arms-length charitable organization created to preserve and enhance Victoria's heritage and facilitate the sensitive rehabilitation of Victoria's downtown core.
[15] See http://www.mcaws.gov.bc.ca/heritage_branch/conserve/stools.htm#stool1
[16] Barber, Steve, Tax Incentives for Residential Conversion, Heritage, 1998

**STEPS**

- A building located within the boundaries of the downtown area is designated a municipal heritage site by the City of Victoria, under the terms of the *Heritage Conservation Act*. This step is accomplished through a bylaw.
- The owner prepares building plans for the upgrade and provides two independent cost estimates for meeting building code standards for earthquake safety. The proposed building use and rehabilitation work must comply with all municipal zoning, building and development permits, and other applicable bylaws;
- The owner files an application with the city planning division;
- The application is evaluated by city staff, the Victoria Civic Heritage Trust and city council. Approval in writing must occur before work can begin.

Applications are judged on the following criteria:

- Project location;
- Contribution to strengthening the economy of the area;
- Consistency with the OCP and the *Downtown Plan*;
- Encourages the use and enjoyment of the downtown;
- Establishes a new business or allows for an established business to relocate downtown;
- Includes a residential component;
- Encourages additional investment downtown; and
- Is part of a coordinated plan to revitalize a block or group of buildings.

In addition to the Tax Incentive Program (TIP), owners of downtown heritage properties can apply for a Design Assistance Grant, which recognizes the higher costs inherent in heritage renovation and works in tandem with TIP. The process to apply for this grant is similar to TIP. Disbursement of the funds requires submitted invoices and a final inspection. A subcommittee of Victoria Civic Heritage Trust reviews both the tax incentive and the grant applications. Members of the subcommittee are experienced in construction, and include practicing or retired architects, structural engineers and building inspectors.

**RESULTS**

The City of Victoria does not track the affordability of units created through this program, as the program's mandate is to create residential units, not necessarily *affordable* residential units. Conversions under the program have resulted in 144 rental units and 16 condominium units. Of the ten developments receiving the tax incentive, only one can be considered affordable by the criteria of this guide: the conversion of the former St. Joseph's Hospital.

At St. Joseph's, hospital rooms with a bathroom were converted to 70 small, self-contained suites, with a food preparation area rather than a full kitchen. The project was initially targeted to seniors but the response from this group proved poor. Students, however, and other young, low-income singles found the units a good, low-cost accommodation and located conveniently close to amenities and transportation routes. As well as TIP, the St. Joseph's development received $1.2 million in Residential Rehabilitation Assistance Program (RRAP) funding from CMHC. RRAP includes an agreement to ensure rents are at pre-established, affordable levels for a predetermined time frame. In this case, the rents range from $350/month to $575/month. (The majority range from $475 to $525.) The St. Joseph's redevelopment demonstrates that low cost rental can be achieved using the Tax Incentive Program, but would almost certainly need additional funding from another source.

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## COSTS

There has been no formal evaluation of the program, but staff costs are considered very modest. Some tax revenue is lost, but a property's assessed value increases following a renovation. Once the exemption expires, the property can pay considerably more in tax revenue than before rehabilitation. Post renovation tax increases for the seven TIP projects with residential components, range from a 5% increase to a 185% increase. Two examples illustrate the outcomes:

| Project | Period of tax emption | Pre-rehab tax | Loss in revenue to the city | Post rehab tax | Length of time to recoup revenue loss post exemption* |
|---|---|---|---|---|---|
| Project 1 | 10 years | $8,212 | $82,120 | $14,883 | 12.3 years |
| Project 2 | 7 years | $10,742 | $75,194 | $30,635 | 3.8 years |

*Assumes tax remained stable during exemption

The program also brings added revenue to the city by supporting business revitalization in the downtown area. As well, the success of rehabilitations has spurred similar developments in non-heritage buildings in the area.

## CHALLENGES

- Political and bureaucratic resistance to this type of program could be formidable, with the fear of lost revenues a significant inhibiting factor. However, this type of resistance did not occur in Victoria.
- A program that provides incentives for developers can encounter complications. For example, one developer purchased a property, which then required major alterations to the housing component that contravened heritage guidelines. This situation caused considerable controversy.
- The program works well when an owner has owned the building for a long time. Converting a property bought at today's market values may not be economically viable. So far, the Victoria program has proven effective. The

eleventh application is pending. However, if construction costs and land values continue to escalate, the program may not remain as viable in the future.

- Owners of heritage buildings converted to rental housing are now liable for a significant amount of GST under Section 191(3) of the *Excise Tax Act*. The GST they pay is calculated on the "fair market value" of the project, which includes the value of the rehabilitated building and the land. Under the original act, land value was not part of the calculation, but the legislation was amended to include this component of the property.
- The success of the Tax Incentive Program has led to suggestions it be expanded to non-heritage buildings.

## FACTORS FOR SUCCESS

Victoria considers TIP a success because of the number of residential units created, the number of heritage buildings rehabilitated, and the amount of private investment attracted to the downtown. Factors for success include:

- Consultation with the local development and building-owner community to ensure they were onside.
- Finding a champion for the project.

## LESSONS LEARNED

- At the outset, the program needs to provide developers with some degree of certainty about the amount of assistance available if they proceed.
- The program needs a good reputation among the development community to support its success.
- Media coverage showing the positive effects of revitalizing downtown buildings also builds success.
- The issues related to the GST need to be resolved if additional rental accommodation is to be developed.

## SUITABILITY FOR REPLICATION

The program is replicable if there is:

- A collection of buildings that can be converted and are located in a fairly stable area;
- A critical mass of renovated buildings to engender broader revitalization (after Victoria had successfully completed a couple of projects, new infill buildings were developed on adjacent properties with similar loft-style apartments.); and
- Adjacent services, such as adequate food outlets that support the development.

## EXPANDING THE TAX INCENTIVE PROGRAM

There are now two ways in which the tax incentive program might be expanded:

### *1. INCLUDING REVITALIZATION AREAS*

Section 226 of the Community Charter introduced a new tax exemption option for municipal areas that city council would like to see revitalized.

New powers under the *Community Charter* provide another possibility for using tax exemptions to stimulate conversions to residential units. The *Community Charter* came into effect on January 1, 2004, and contains many of the municipal powers that were previously contained in the Local Government Act. Section 226 of the *Community Charter* introduced a new tax exemption option for municipal areas that city council would like to see revitalized. Councils may now designate a revitalization area, set objectives for the area, and provide tax exemptions for property owners who construct new improvements or alter existing improvements. The exemption is limited to the increase in assessed values due to the new or altered improvements, and these properties do not qualify for exemptions for school taxes.

Information on this new municipal power can be found at:
http://www.mcaws.gov.bc.ca/charter/opportunity/permissive_exemptions.htm

### *2. THE COMMERCIAL HERITAGE PROPERTIES INCENTIVE FUND*

Victoria is now directing TIP applicants to the federal program for heritage renovations, the Commercial Heritage Properties Incentive Fund, administered by Parks Canada. This three-year fund has an annual budget of $10 million, and began taking applications in March 2004. The fund is designed to assist the rehabilitation of properties for commercial purposes, and may be applicable to heritage buildings, like those in Victoria, with a commercial component on the ground floor and upper floors that can be converted into residential units.

For information on the Commercial Heritage Properties Incentive Fund at Parks Canada, call 819-934-2818, or visit the website
http://www.pc.gc.ca/progs/plp-hpp/plp-hpp2a_E.asp

## SIMILAR PROJECTS IN OTHER MUNICIPALITIES

The City of Nanaimo implemented a tax exemption program, modeled on the Victoria program, in the spring of 2002. A number of building owners and developers have enquired about the program, but there has been only one application to date. Chris Sholberg, heritage planner for Nanaimo, believes the current economics of the commercial real estate market do not produce an acceptable return on investment to encourage rehabilitating downtown buildings. However, with improvements in the local economy, this situation may change.

## SUPPORTING INFORMATION

Much information about the program including guidelines and how to apply
Example of Bylaw
Application Forms
Information is available at http://www.city.victoria.bc.ca/.

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## ALL FORMS OF AFFORDABLE HOUSING

**CASE STUDY:** **Development Cost Charges Using a Gradient System**
**OUTCOME:** All forms of affordable housing
**LOCATION:** City of Kelowna
**TYPE:** Financial incentive

### DESCRIPTION

Development Cost Charges (DCC) in Kelowna are based on the density of a project and its location within the city. Smaller units at higher densities cost less to service, as do units that are more centrally located, where infrastructure is already in place. With the gradient system, DCCs have been adjusted to account for these factors therefore creating a more affordable housing cost for the consumer. The goals of the gradient system are to make the charges as equitable as possible and to make smaller, centrally located units more affordable.The revised DCCs have four density categories for housing. A maximum number of units per hectare can be built in each category. The table below illustrates the DCCs for services in each housing category.

**Itemized Development Cost Charges for Services in Kelowna**[17]

| Services | Sector | Residential 1 To 15 units/hec. Each lot or unit In $ | Residential 216-35 units/hec. Each lot or unit In $ | Residential 336-85 units/hec. Each lot or unit In $ | Residential 4 Greater than 85 units/hec. Each lot or unit In $ |
|---|---|---|---|---|---|
| **Roads** | | | | | |
| SE Kelowna | R-A | 9,018 | 7.214 | 4,960 | 4,689 |
| South Mission | R-B | 13,965 | 11,172 | 7,681 | 7,262 |
| NE Rutland | R-C | 6,271 | 5,017 | 3,449 | 3,261 |
| Bell Mountain | R-D1 | 7,433 | 5,946 | 4,088 | 3,865 |
| Gallagher Ridge | R-D2 | 5,840 | 4,672 | 3,212 | 3,037 |
| University | R-E | 7,420 | 5,936 | 4,081 | 3,858 |
| City Centre | R-I | 3,634 | 2,907 | 1,999 | 1,890 |
| **Water** | | | | | |
| City Centre | W-A | 1,393 | 933 | 669 | 474 |
| South Mission | W-B | 696 | 466 | 334 | 237 |
| Clifton | W-D | 2,505 | 1,678 | 1,202 | 852 |
| **Trunks** | | | | | |
| City Centre | S-A | 874 | 725 | 489 | 472 |
| South Mission | S-B | 1,219 | 1,012 | 683 | 658 |
| **Treatment** | | | | | |
| City Cntr. /S. Mission | T-A | 1,475 | 1,224 | 826 | 797 |
| Parks | P-A | 2,147 | 2,147 | 2,147 | 2,147 |



[17] City of Kelowna Bylaw No. 9095, A Bylaw to impose Development Cost Charges pursuant to the provisions of the Local Government Act, R.S.B.C, 1996, Chapter 323, as amended, available at www.city.kelowna.bc.ca under Bylaws. This table, amended to the bylaw, also includes calculations for commercial, institutional, industrial and campground categories.

NB: The amount of DCCs payable for a mixed-use development is calculated separately for each portion of the development according to the separate types of use.

**Summary Totals for Specific City Areas**

| Services | Residential 1 To 15 units/hec. Each lot or unit In $ | Residential 216-35 units/hec. Each lot or unit In $ | Residential 336-85 units/hec. Each lot or unit In $ | Residential 4 Greater than 85 units/hec. Each lot or unit In $ |
|---|---|---|---|---|
| SE Kelowna | 11,165 | 9,361 | 7,107 | 6,836 |
| South Mission | 19,502 | 16,021 | 11,671 | 11,101 |
| NE Rutland | 10,767 | 9,113 | 6,911 | 6,677 |
| Bell Mountain | 11,929 | 10,042 | 7,550 | 7,281 |
| Gallagher Ridge | 10,336 | 8,768 | 6,674 | 6,453 |
| University | 11,916 | 10,032 | 7,543 | 7,274 |
| City Centre | 9,523 | 7,936 | 6,130 | 5,780 |

DCCs were further reduced with a new approach to the disposal of storm water that is both cost effective and minimizes environmental impact.

## IMPETUS

The gradient system for DCCs was driven by Kelowna's finance department in an effort to harmonize financial and servicing plans with an *Official Community Plan* (OCP) that called for more compact development (50% of new residential units built between 2000-2020 be in the form of apartments, townhouses [and cluster housing] or other multiple unit buildings) and an increase in affordable housing. Research had shown that affordability was becoming a larger issue than anticipated, and that Kelowna may face concerns similar to Whistler, namely insufficient affordable housing for people who work in the community, particularly lower income households working in the service sector. In 1999, the finance department hired a consultant to conduct a detailed analysis of the actual costs of infrastructure servicing requirements for new developments. Multi-family DCC charges were reviewed and options identified to promote goals consistent with the OCP. Lower water usage was a primary rationale for promoting a gradient system. Water consumption is less in higher density developments of smaller units, such as apartments, than in developments of large single-dwelling unit housing.

The gradient system for DCCs was driven by Kelowna's finance department in an effort to harmonize financial and servicing plans with an Official Community Plan (OCP) that called for more compact development (50% of new residential units built between 2000-2020 be in the form of apartments, townhouses [and cluster housing] or other multiple unit buildings) and an increase in affordable housing.

The first bylaw for a gradient system was tabled in 2002. To ensure the city did not lose revenue by lowering DCCs for developments in well-serviced areas, the bylaw increased DCCs on single-dwelling units in less well-serviced areas. This was opposed by area developers, who at that time considered their priority to be single-dwelling homes. After additional research and minor adjustments to the calculations, the bylaw was rewritten, with the city lessening the impact on single-dwelling units. The new version was approved in 2004.

**STEPS**

- Assess the actual costs of servicing new developments, taking the development's density and location into account.
- Create a gradient of DCCs to match these findings.
- Ensure the new formula for calculating DCCs brings in enough revenue to pay for services.
- Update as necessary.

**RESULTS**

It is too early to assess the impact of the gradient DCCs on creating more affordable housing. However, the selling price of units in a current development of 36 units, which had seen a DCC reduction amounting to approximately $3,000 per unit, falls within the city's definition of affordability. Unit prices range from $134,900 to $189,900. In another development, with three buildings of 47 units each, units started at $119,900 for a 1-bedroom.

From January to June 2004, the city issued development permits for 488 units of multiple-unit housing (apartments and row housing) as compared with 557 units for the whole of 2003. As well, it issued permits in the first six months of 2004 for 584 units of single detached housing compared with 810 for the whole of 2003. Single detached dwellings include semi-detached, duplex and secondary suites, and the development permits issued in 2004 include 91 permits for dwellings to replace those lost in the fire of 2003.

**COSTS**

Consulting fees of $17,000 which included:

- $10,000 for the review of multi-family charges and identifying options consistent with the OCP; &
- $7,000 to complete implementation, with the majority of the work being done to rationalize the base for establishing density gradient categories. Staff costs were not factored in.

**CHALLENGES**

- Ensuring adjusted DCCs result in enough revenue to cover the cost of services.
- Overcoming resistance from developers only interested in building standard, larger single-dwelling units.
- For affordability to occur, the developer must pass on the DCC savings to the consumer.
- Maintaining the supply of affordable homes over the longer term.
- Persuading other levels of government that small initiatives such as this one are accountable and enhance affordability.

## LESSONS LEARNED

- Public education is needed on why municipalities collect DCCs.
- Engender support, or at least neutrality, from the development community.
- Encourage non-profit organizations and developers who might build rental housing to support gradient DCCs, which are likely to assist their projects.

## SUITABILITY FOR REPLICATION

The DCC Best Practices Guide[18] identifies the density gradient approach as a best practice. Consultation between city departments is needed to arrive at a gradient and ensure the research & rationale are thorough & supportable.

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## OTHER MUNICIPALITIES WITH A DCC DENSITY GRADIENT

Municipalities using this approach include the:

- District of North Vancouver which employs a density gradient type DCC based on lot size;
- Township of Langley; and
- City of Kamloops.

Other municipalities use a system with differing rates for high, medium and low density, but this method may not be recognized as a gradient approach by the Best Practices definition.

## ADDENDUM

## INSTITUTIONAL RATES

New to Kelowna in the mid 1990s was high density and boarding-style seniors' housing. Units in this housing did not have full kitchens and meals were served on site. To find a fairer method of assessing DCCs for these developments, Kelowna revised their DCC bylaw to make buildings that are funded under the current Independent Living Program eligible to be charged the institutional rate.

> "All or part of a building shall also be treated as *Institutional A* if housing is provided by a contract with the Health Authority and funded through BC Housing and/or the Health Authority. In these cases, the individual units may contain a stove and full size fridge. A Housing Agreement must be prepared that includes the developer paying the difference between Residential and Institutional DCCs if the facility use reverts to conventional housing, as opposed to subsidized housing operated through the Health Authority and BC Housing."



[18] Development Cost Charges Best Practices Guide, produced by the Ministry of Municipal Affairs in 2000 is available at www.mcaws.gov.bc.ca/[illegible]/irpd/growth/PUBLICATIONS/dccguide.pdf

Two examples of the cost savings for seniors' complexes charged DCCs at the institutional rate are:

- *Project #1*: 104 units (72 counted as institutional, 32 as full apartments) saved $351,715; and
- *Project #2*: 183 units saved $878,331.

These two projects produced affordable housing for seniors. One receives federal and provincial government subsidies, the other does not. Most market projects built with the lower institutional DCC charges did not pass on the savings to residents.

## SUPPORTING INFORMATION

Bylaws
Information is available at http://www.city.kelowna.bc.ca/.

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**CASE STUDY:** **Adaptable Design Guidelines**
**OUTCOME:** All forms of affordable housing
**LOCATION:** City of North Vancouver
**TYPE:** Community planning

**DESCRIPTION:**

The City of North Vancouver created its *Adaptable Design Guidelines* in 1996, which were implemented on a trial basis in 1997 and adopted in 1998. The goal of the guidelines is to ensure housing is available to accommodate the changing needs of residents and support the independence of seniors and those with physical challenges. The guidelines are part of an overall housing policy to provide a choice of housing and more effective and efficient use of housing resources.

Adaptable design ensures that adaptable features are either adjustable or capable of being easily and immediately added or removed to "adapt" the unit to individual needs or preferences. An adaptable dwelling unit has all the accessible features that a fixed accessible unit has but allows some items to be omitted or concealed until needed so the dwelling units can look the same as others and be better matched to individual needs when occupied. In an adaptable dwelling, wide doors, no steps, knee spaces, control and switch locations, grab bar reinforcing and other access features must be built in. Grab bars however, can be omitted and installed when needed. Because the necessary blocking is already provided, the bars can simply be screwed in place without opening the existing walls to install reinforcing.[19]

The guidelines consist of two checklists: the "Design Elements Checklist" which contain items related to the initial design and construction phases, and the "Fixtures and Finishes Checklist" consisting of elements related to finishing. They serve as a set of requirements with three levels, each requiring a certain level of accessibility and adaptability for those with mobility, hearing and sight limitations. Level one consists of basic design features and is required in all multiple-unit buildings with common corridors. Levels two and three provide for a greater range of adaptability such as building and unit circulation and bathroom and kitchen accessibility. For example:

- Level two provides for a five-foot or 1,520 mm turning radius inside and outside the entry corridor of each unit.
- Level three provides for sink and cabinet minimums of 2 ft, 8 in or 810 mm wide.

**IMPETUS**

The impetus for introducing adaptable design guidelines was a combination of:

- Council requesting guidance on a proposed project in which the developer offered the city a wheelchair accessible unit; and
- Social planning staff's professional interest.



[19] http://www.design.ncsu.edu/cud/pdf_files/HousingDefenitionsFS6.pdf

After some research on the principles of universal design, the planner concluded a policy was needed to address the housing requirements of persons with disabilities or mobility limitations. Appropriate units should be available throughout the housing stock rather than located in a single building or facility. As a result, a research and consultation process was initiated with an Adaptable Design Working Group.

The multi-family areas of Lower and Central Lonsdale are undergoing rapid redevelopment and rezoning provides an opportunity to implement the guidelines.

**STEPS**

Originally, level one was required and levels two and three were voluntary and negotiated. Then in 2001, the guidelines were revised to address implementation issues. The *Adaptable Design Policy* was updated in October 2003 to include:

- 20% of units must be level two (remainder must meet level one guidelines);
- For each level two unit, 20 $ft^2$ will be excluded from floor area calculations; &
- For each level three unit, 45 $ft^2$ will be excluded from floor area calculations.

In applying the guidelines, staff recognized that new developments and technology might result in equivalents that meet the intent of a specific requirement.

The Adaptable Design Working Group consisting of city staff and including a physical therapist, an occupational therapist, persons with physical disabilities, seniors, non-profit and market housing developers, and an architect developed the guidelines. The group has remained active in refining them over the past five years of implementing the policy and is a valuable resource for city staff.

The city used a pragmatic approach. Rather than implement the guidelines city-wide, one level units in multi-unit buildings were targeted, given the level of redevelopment activity in multi-family areas, and because people with mobility limitations would most likely seek this type of unit. Staff appreciate the significant changes required and are flexible in working with developers, designers and builders as a result.

**RESULTS**

Approximately 400 adaptable design (AD) units have been built and occupied since 1997, using the initial voluntary version during the one-year phase-in of the policy, and two subsequent versions of the AD guidelines. Three hundred of these units are AD level two or three.

As of spring 2004, approximately 900 units are under development (200 units of AD level two or three). Some buildings are 100% or close to fully level two or three, and others meet the minimum proportion required. Since 2002, developments on city-owned sites must meet a minimum of 15% level two and 5% level three of the adaptable design guidelines.

All units in medium and high-density residential zones must be either level one, two or three adaptable design. However, some developers are choosing to apply the guidelines to townhouse developments. With the continuing redevelopment of Lower Lonsdale, the total number of adaptable units is expected to increase significantly.

The city did not establish a target for the number of adaptable units, but believes the intent of the policy is already being met, as there are AD units located throughout medium and high-density areas for those who currently or at some point may need an accessible home. The active real estate market in these areas virtually assures that many more AD units will be developed.

The city commissioned a post-occupancy study of adaptable units in 2003. An interesting finding is that many people living in these units don't know they are adaptable. In some cases, residents know their unit is easy to get around in, but don't know why. The city is contemplating setting up a database of adaptable units. For the most part, developers are not marketing the adaptable features, although a few realtors feel the units represent a market niche.

The AD units are mostly market ownership (although the guidelines have been used in two non-profit projects), and sell at a range of prices. Affordability comes at a later point, when, if needed, changes to these units to overcome mobility limitations can be made inexpensively. For example, grab bars can be much more easily installed in a bathroom with appropriately framed walls. Without these adaptability features, the necessary renovations would be either more expensive or impossible to install.

The other aspect of affordability is the long-term potential cost savings for society. AD units permit seniors and others with mobility limitations to stay in their own homes longer with supports, where otherwise they might need to move to more suitable and expensive accommodation elsewhere, such as a long term care facility. Medium and high-density areas of North Vancouver are located in the Central and Upper Lonsdale areas, areas rich in services and amenities, including transit, and often selected by seniors for these reasons. Consequently, suitable units are being developed in an excellent location. In addition, the city is focusing on improving mobility and pedestrian safety (sidewalks, street crossings and curb cuts) throughout the main streets of these neighbourhoods.

The city would like to see AD elements included in the Building Code, which would expand the practice, increasing the level of acceptance and ultimately the number of available AD units. Several B.C. municipalities have adopted adaptable design policies, and there is growing interest in how communities will accommodate the needs of people living in the community with various levels of disabilities. As a result, a provincial policy and generic guidelines would be the most effective way to meet these needs.

The city would like to see AD elements included in the Building Code, which would expand the practice, increasing the level of acceptance and ultimately the number of available AD units.

## COSTS

Initial development of the guidelines required a significant amount of staff time. Because this was a new concept, much staff time was spent educating and working with developers, architects, designers and builders in the early years of implementation to introduce the concept and encourage use of the guidelines. Implementation issues continue to a lesser extent, and are due to an increase in required levels of adaptability. Other municipalities are welcome to use the guidelines, representing a potentially significant cost savings to these local governments.

Other municipalities are welcome to use the guidelines ,representing a potentially significant cost savings locally.

There are also ongoing costs involved in the building inspection process to ensure the guidelines are being met.

## CHALLENGES

Adaptable design was a new concept for local government and the building industry. While some builders, designers and architects were initially resistant to the idea, particularly in the period before exclusions were made available, others embraced the concept. In addition, these features are not yet demanded in the marketplace, so developers were reluctant to incorporate them.

## FACTORS FOR SUCCESS

- A supportive council.
- Introduce the concept on an incremental basis; don't try to cover all types of housing at once.
- The use of an advisory group is invaluable, both at the outset and for ongoing problem solving.
- The practice needs to fit conditions and needs in your municipality.
- Staff can slowly overcome concerns with patience and flexibility.
- The city held workshops to demonstrate the concept and to educate staff and the development industry.

## LESSONS LEARNED

Start now, as the demand for this type of housing is expected to increase dramatically in the future, given the aging population. Through this type of housing policy, municipalities can play a major role in facilitating the ability of residents to live independently in the community.

## SUITABILITY FOR REPLICATION

- The *Adaptable Design Guidelines* have already been replicated.
- Other municipalities can use the North Vancouver guidelines.

- A willing council and staff with relevant skills are a requirement.
  Several Lower Mainland municipalities have adopted similar policies. The City of Vancouver & the District of North Vancouver have recently used the City of North Vancouver's framework to develop their own policies, (Burnaby and the District of West Vancouver are in the process of creating similar policies).

**SUPPORTING INFORMATION**

Illustrations - Bylaw - Power Point presentation
Information is available at http://www.cnv.org/c/server.aspx?c=3&i=206.

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**CASE STUDY:** **Residential Development Application Evaluation Guidelines**
**OUTCOME:** All forms of affordable housing
**LOCATION:** District of Central Saanich
**TYPE:** Community planning

**DESCRIPTION:**

The goal is to ensure that affordable housing is part of any rezoning application in the community.

Developers must complete an application form and meet a set of specific guidelines for a rezoning to be considered in Central Saanich. The goal is to ensure that affordable housing is part of any rezoning application in the community. The guidelines outline conditions for increasing density, types of tenure, access to services and achieving neighbourhood acceptance. The application form contains a checklist for the evaluation of development applications. According to the guidelines, the objectives are to: "develop a consistent rationale and approach for evaluating residential development applications for infill and small scale development that respond to affordable housing needs." For example, the guidelines permit density increases such as small-scale infill new homes with legal suites, a mix of housing/tenure types, non-profit housing, mix used developments, re-development and intensification of aging multiple buildings where a development includes:

- A proportion of units that meet the criteria for affordable ownership/rental housing for families or seniors
- Non-profit or private market dwellings with commitment for longer term affordability either through non-profit status, deed covenant, or other legal agreement.
- Affordable housing for young families in at least half the units.
- Supportive housing for seniors
- Units developed under senior government programs
- Guaranteed rental or time-limited rental
- Price controlled limited equity units, such as equity coops
- Co-housing
- Rental housing

This practice combines policy with a tool to implement the policy. The policy states Central Saanich only pursues residential rezoning applications that include a component for creating affordable housing and tenure options. The guidelines were developed as a tool for developers and council to understand and help achieve these requirements. The guidelines define affordable housing as, "housing where rent or mortgage plus taxes are 30% or less of the household's gross income." Although not specifically stated in the guidelines, the intention is to create housing affordable for lower income households, for example, households where two people work for minimum wage.



[20] Based on the Kamloops model where 15% of equity from the resale of any privately-owned units within a land lease project, goes into the city's housing reserve fund.

[21] Eichler, Teresa, Department of Planning and Corporate Services, City of Kelowna, Housing Study 1999/2000: An Explanation of Affordable, Special Needs and Rental Housing, www.city.kelowna.bc.ca

The project was initiated in May 2002 with an Affordability and Choice Today (ACT) grant from CMHC. The project team consisted of representatives of the municipality, the Social Planning Council of Greater Victoria, the provincial government, a contractor, the community, and the Advisory Planning Commission. The project team consulted with builders, non-profit housing providers and community residents to refine and test draft guidelines before preparing a final set of guidelines. The guidelines have been in place for one year.

**IMPETUS**

Central Saanich has a limited land supply because more than 65% of its land base is in the Agricultural Land Reserve. For this reason, council has always been very careful allocating land for single-dwelling unit use and has been willing to consider higher densities. The *Official Community Plan* (OCP), adopted in 1999, identified the need to understand housing needs and to implement a strategy to provide affordable housing. Market housing being produced at the time was expensive due to high land costs. The location was attractive to retirees and others, so the average price of a single-dwelling unit was about $300,000. Council authorized a housing needs assessment as part of the OCP implementation.

According to the assessment, housing issues included declining vacancy rates (although there is little purpose built rental housing in Central Saanich), rising rental rates, potential demolition of older rental stock, and a lack of social housing in the community. The housing needs assessment identified gaps in the area's supply and demand for affordable housing, particularly affordable housing for young families, rental housing and housing suitable for independent seniors wishing to remain in the community. It noted that 40% of renters spend more than 30% of their income on housing costs, and 15% of homeowners spend more than 30% of their income on housing. The undeveloped portion of Saanich is largely rural and new developments in the municipality are almost entirely single-dwelling housing. Council policy did not allow rezoning of single-dwelling residential areas without an acceptable affordable housing component included in the project. There were no definitions or guidelines as to what was affordable and what was needed or acceptable. Council's requirements needed to be clarified.

**STEPS**

1. The developer completes an application consistent with guidelines, if rezoning's being sought.
2. Planning staff prepares a report to council
3. Council considers and refers the proposal to a public process (a rezoning public hearing), if the affordable housing component has been addressed.

The municipality does not presently use housing agreements for these projects, nor does it waive development fees.

## RESULTS

The preliminary assessment by staff is that this practice has had positive results, although there has been only one year of implementation. The practice gives council a tool to evaluate proposals, and gives developers a tool to promote their project. To date, five developers have completed the application form, and two projects have been approved that will produce some affordable units, with a total of 26 units (including secondary suites). One is fully constructed and the rezoning has been finalized for the other project. Three proposals are awaiting approval.

1. *Nine single-dwelling unit lots* – Two units for Habitat for Humanity, three single-dwelling units with secondary suites (currently not permitted elsewhere in the district), and two single level homes designed for seniors and two single-dwelling units. (Approved)
2. *One single-dwelling lot* – Rezoned for a 14-unit assisted living seniors project. (Approved)
3. *Five single-dwelling lots* – 11 townhouses, four with secondary suites. (In process)
4. A 42-unit rental apartment building. (In process)
5. A 66-unit assisted living seniors project. (In process)

The goal is to approve a total of 100 affordable or subsidized dwelling units over a three-year period. The response from the development community has been positive, as developers better understand what council is looking for in a rezoning proposal. The community response was positive, via a survey conducted with the housing needs assessment, with full support for more affordable options at higher density to provide accommodation for aging parents and their grown children who might be looking for entry-level housing. However, there is still some residual NIMBY response when a specific proposal is brought forward in a neighbourhood. Central Saanich had always been considered a challenge for developers to negotiate due to the shortage of available residential land. Now there is more certainty about the process, which has also been streamlined. What council wants is clear, reducing the need to revise applications.

## COSTS

There is no annual cost to implement this practice. Planning staff would be processing development applications anyway. An ACT grant of $10,000 covered half the original cost to create the guidelines.

## CHALLENGES

- Some Council members were hesitant about how helpful the guidelines would be.
- Some developers are not adapting to the spirit of the guidelines. For example, they might check everything off on the application even if inaccurate.

## FACTORS FOR SUCCESS

1. A supportive council.
2. Public consultation and support.

## LESSONS LEARNED

Council must fully support the policy and the initiative. In Central Saanich, council is not prepared to look at a rezoning application without an affordable housing component.

## SUITABILITY FOR REPLICATION

This initiative is suitable for replication if the following conditions are met:

- Public consultation with the development community and residents.
- Complete a housing needs assessment first.
- A supportive council.

## SUPPORTING INFORMATION

Guidelines
Application Form
Information is available at http://district.central-saanich.bc.ca/.

## CONTACT INFORMATION

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**CASE STUDY:** **Housing Opportunities Reserve Fund**
**OUTCOME:** All forms of affordable housing
**LOCATION:** Kelowna
**TYPE:** Financial incentive

**DESCRIPTION:**

The City of Kelowna established a Housing Opportunities Reserve Fund (HORF) to acquire land for housing that could be leased back to non-profit organizations or to developers through a public/private partnership. Projects using the fund are subject to housing agreements to ensure long-term affordability.

**IMPETUS**

In 1999/2000, Kelowna completed a housing study that concluded there is a need to increase affordable housing in the city. The study recommended the city establish a Housing Opportunities Reserve Fund, based on proven models from other municipalities (see page 62). It would accumulate funds to contribute to the creation of affordable housing units. The fund is seen as an opportunity to provide housing without increasing taxes, and is intended to be self-sustaining. Recommendations for the Housing Opportunities Reserve Fund included:

The fund is seen as an opportunity to provide housing without increasing taxes, and is intended to be self-sustaining.

- Land be acquired within, or in proximity to, town centres;
- Land be acquired within multi-housing designations in the OCP, mixed residential-commercial designations, or commercial designations which allow a housing component;
- If a private developer wishes to lease city-owned land for housing, a proportion
- If a proportion of housing to be developed is on city-owned land leased on a long-term basis consists of market, owner-occupied housing, the city receives a percentage of the equity gained from the sale or re-sale of such units for deposit in the reserve fund;[20]
- Any development on land leased from the city be subject to a private-public partnering agreement;
- The housing needs of the following groups be targeted:
  - Lower income urban singles;
  - Single parent families;
  - Low-income families at or below core need income thresholds;
  - Any group identified as in core need, as defined by the city;
  - People with physical disabilities;
  - Special needs seniors;
  - Other special needs groups meeting the city's definition;
  - first time homebuyers in attached, ground-oriented housing forms.
- Housing types to be encouraged with the use of leased-back city-owned land include:



[20] Based on the Kamloops model where 15% of equity from the resale of any privately-owned units within a land lease project, goes into the city's housing reserve fund.

- Single room occupancy (SRO), bachelor/one-bedroom apartments,
- Cooperative housing projects;
- Residential above commercial;
- Ground-oriented multiple housing forms, including semi-detached houses, townhouses and apartments.[21]

The initiative was approved by city council in 2001 and updated in 2004.

**STEPS**

The Housing Opportunities Reserve Fund can accumulate reserves in several ways:

1. City-owned land that is deemed unsuitable for affordable housing (for example, a site too far from a town centre or a site that would be more profitably used for single-dwelling unit homes or other purposes) is sold and a portion of the money deposited into the HORF to go towards a more suitable piece of land.
2. Through voluntary contributions from the community;
3. Through an annual budget allocation from the municipality[22]; and/or
4. From land lease revenues and a portion of the sale of market units on city-owned land.

At this time, Kelowna does not have a formula governing the allocation of proceeds to the Housing Opportunities Reserve Fund received through the sale of city-owned land. This will be accomplished case-by-case. The city offers land at a discount to market value or, in if a sale by lease, by discounting the lease value. The amount of the discount depends on the amount of affordable housing to be included in a project. The city deposited 100% into the fund from the sale of its first piece of surplus land.[23]

Special needs or affordable housing supported by the Housing Opportunities Reserve Fund is limited to households the city identifies as requiring housing. These households include, but are not limited to:

- Persons or families with or without children who lack safe and secure housing, are fleeing an abusive home, are homeless or at risk of homelessness, or are suffering from a mental or physical disability, chronic disabling illness or dependency; and
- Lower income households who are:
  - At or below the core need income threshold, as determined by the Canada Mortgage and Housing Corporation, and used by BC Housing for Kelowna; or
  - At or below the low income cut-off level defined by Statistics Canada for urban areas equivalent to the population of Kelowna, based on household size; or



[21] Eichler, Teresa, Department of Planning and Corporate Services, City of Kelowna, Housing Study 1999/2000: An Explanation of Affordable, Special Needs and Rental Housing, www.city.kelowna.bc.ca

[22] Kelowna city council has not chosen to exercise this option at this time.

[23] The site went to three proposal calls to generate a housing project featuring affordable housing. When these proposal calls did not yield a project, council authorized sale of the land on the open market and placed the revenue from the sale, $300,000, in the Housing Opportunities Reserve Fund

- Receiving British Columbia income assistance for "welfare to work" or "disability benefits," or qualify for rent subsidy programs operated by BC Housing.[24]

## OUTCOMES

To date, the Housing Opportunities Reserve Fund, which currently stands at $300,000, has not allocated any funding for a housing project. Kelowna needs a large property to become surplus, or donations of land from other levels of government, to increase the fund before significant activity can begin. Currently, two city-owned parcels are being considered as possible sites for affordable housing using the fund, and others are under review. City staff noted the time it has taken to establish the fund, with no results after four years, and are looking at different options to build up and use the HORF. One opportunity under consideration would fund a developer to create several affordable units in a downtown market project. While developers have not shown much response to the fund, community-based committees are supportive. However, despite holding public information meetings, and spending $2,000 on an advertising campaign to introduce the fund and solicit contributions, the HORF has received only $2,006 in donations from the public.

City staff noted the time it's taken to establish the fund & are looking at different options to build HORF.

## COSTS

The city received a grant of $10,000 from the Real Estate Foundation to help fund the *1999/2000 Housing Report* that led to the creation of the fund.

## CHALLENGES

- Under the *Community Charter* and changes to the *Local Government Act*, municipalities still do not have the same powers that Vancouver has under its Charter, including the use of special reserve funds and broader powers to collect and use resources to support affordable housing development. Additional land considered surplus by senior levels of government and additional powers would help make this fund more robust.
- BC Housing programs (most recently *Independent Living BC*) encourage municipal governments to provide financial contributions to projects by reducing or waiving fees and providing free land. Kelowna council sees this expectation as an example of downloading responsibility for affordable housing to municipalities, and has decided against this option. However, the city has:
  - Approved the use of discounted land sales and leases to help make projects more affordable; and
  - Reduced the cost of development cost charges (DCCs) through its gradient system and by applying institutional DCCs to seniors' assisted



[24] Bylaw No. 8593, City of Kelowna, Bylaw to Establish a Housing Opportunities Reserve Fund, January.12, 2004

housing (see page 48), which has produced significant cost savings for these projects and should be recognized as a substantial contribution.

- A non-profit organization in Kelowna rejected a leasehold option for its affordable housing project because it expected the land to be donated free of charge.
- One parcel that the city offered to lease for a small project with affordable housing went to three proposal calls over three years but did not yield a project, primarily due to the cost of servicing the land and because a lease was not attractive to proponents.

## FACTORS FOR SUCCESS

The HORF has not yet achieved the success envisioned by staff. However, the initiative has been approved by council and has community support.

## LESSONS LEARNED

Councils must be made aware that it is advantageous to attract affordable housing within city boundaries to support a mixed community, and that municipal action is necessary if such housing is to be built.

## SUITABILITY FOR REPLICATION

Other municipalities can replicate this initiative. Conditions needed for success include:

- Strong council and community support, and
- A significant source of financial funding such as large pieces of surplus land or the opportunity for a significant contribution through changing zoning on a large project.

**Similar initiatives in other municipalities in BC** [25]

| City | Name of Reserve Fund | Objective | Priority Group | Funded by | Other |
|---|---|---|---|---|---|
| City of Richmond (pop.148,867) | Affordable Housing Statutory Reserve FundEst. 1989 | To facilitate affordable housing through the purchase of land forlong-term lease to non-profit agencies at 75% of market value. | Low income, elderly and moderate income households | 1) An informal process of negotiating with developers on major rezoning to encourage gift donations. No guarantee is associated with rezoning.<br>2) 75% of the value of the land returns to the fund in the form of a non-profit land lease. | Irregular contributions due to lulls in the housing development market.There was $1.5 million in the account by 1990 |
| City of North Vancouver (pop.41,475) | Affordable Housing Reserve Fund | 1) To facilitate the provision of projects or units of affordable housing or housing for those with special needs.<br>2) Fund can be spent on capital projects and land, including extension or renewal of existing capital works, finishes, or fixtures.<br>3) A related grant program, called the housing initiative grant program, is funded by the accrued interest in the housing reserve fund. | Low income, seniors and special needs households | The original funds were generated through the sale of municipal land, current revenue, and general revenue fund surplus. | Started with $200,000 in 1989.<br><br>There was $1.5 million in the funding early 2005. |
| City of Surrey (pop.304,477) | Affordable Housing Statutory Reserve Fund | 1) To assist first time home buyers (individuals/families) who reside in Surrey and would not typically be able to enter the housing market due to income constraints.<br>2) Facilitated through funding individuals /families with a second mortgage of 15% of the housing price to a maximum of $15,000. Selection of those funded is based on a lottery approach following candidates meeting the minimum qualifications. | First time home buyers with incomes at least 10% below the median household income of $42,500 in the city. | 1) The principal of the fund was generated through a $750 per lot or unit level on development projects and 5% of the profits from the sale of city-owned lands. Both contributions have been discontinued.<br>2) The grant portion of the mortgage is fully repayable on the resale of any of the affordable housing units.<br>3) Only the revenue generated from the interest on the principal ($5.7 million) is used to finance the second mortgages. | The rationale for assisting home buyers was that council believed rental housing to be the responsibility of the Province and Surrey wanted to assist its residents to secure more stable housing (ownership). *Concerns:* No distinction is made between individuals and families in the qualifying criteria, despite the fact that an individual is probably in a better financial position to buy a home then a family on the same income. |
| City of Kamloops (pop.76,394) | Housing Reserve | To facilitate the provision of social housing by lowering the up-front cost of development projects through the long term lease of city-owned land at a rate less than market value. | | 1) Land lease payments generate the housing reserve fund.<br>2) 15% of the equity, from the resale of any of the privately owned units within the land lease project, going into the fund.<br>3) "Donations" are also accepted from developers through major rezoning applications. | |



[25] Eichler, Theresa, Department of Planning and Corporate Services, City of Kelowna, Housing Study 1999/2000:An Explanation of Affordable, Special Needs and Rental Housing, www.city.kelowna.bc.ca

## SUPPORTING INFORMATION

Bylaw Number 8593
A report to Council recommending the City proceed with a call for proposals on a site which features affordable housing and 40% of revenue going into the HORF. This includes discussion on affordable housing needs, land rates, lease vs. sale, and the bylaw establishing the HORF.
Information available is at www.city.kelowna.bc.ca.

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# A SUMMARY

This guide documents a range of initiatives designed to facilitate the production of affordable market housing. These initiatives illustrate that creative responses to providing affordable housing require considerable municipal effort and cost. At the same time, the initiatives demonstrate that an investment in affordable housing can provide significant spin-off benefits to municipalities, which can include:

- Promoting sustainable development;
- Protecting the environment;
- Making the best use of a limited land supply;
- Making it possible for individuals in low-paying jobs (such as the service sector) to live in the community; and
- Accommodating an aging population and promoting independent living for seniors and those with physical challenges.

This chapter provides an overview of the initiatives documented in this guide and reviews some of the challenges, factors for success, lessons learned & suitability for replication by other local governments.

Local governments can build on the innovative tools in this guide to help create affordable market housing.

Local governments can build on the innovative tools in this guide to help create affordable market housing.

## OVERVIEW

- Four of the ten initiatives could help produce all types of affordable housing units: market ownership, market rental, low cost ownership, and low cost rental, although the current application might be for one or two types. Three are used solely for market ownership units and three are used to assist in the development of low cost rental units.
- Among the examples, tools that helped develop low cost housing, either rental or ownership, include inclusionary zoning, density bonus, & the property tax exemption.
- The majority of initiatives can be categorized as zoning techniques (5), followed by financial incentives (3), and planning/policy initiatives (2). This distribution may or may not reflect actual distribution among all local government initiatives.
- Profiled initiatives are located primarily in the suburbs of Greater Vancouver and urban centres outside the Lower Mainland. Most initiatives are relatively new; a few started in the mid 1990s, but the majority began in the late 1990s or early 2000s. One began in 2003, and one in 2004.
- The number of units resulting from these initiatives is not large. The East Clayton neighbourhood is the largest, at approximately 2,000 units to date. The typical scale is much smaller, ranging between eight and 400 units, usually over several years. Some initiatives have not yet produced units.

- Because of the market nature of some of these units, local governments have limited knowledge of prices and, therefore, affordability. However, price data should be available for the low cost rental nd ownership housing units. For example, we know that a one-bedroom apartment rents for $617 per month (17% below market rents) in the Cates Hill development on Bowen Island.
- Other initiatives assume units *should* be affordable since they received assistance from local government. Smaller lot sizes suggest units would sell for a lower cost than housing on similarly located larger lots. However, municipalities rely on the private market developers to pass on the savings received as a result of local government assistance and do not typically track sales, so that it is not always possible to substantiate that savings to the developer actually reduced costs to the consumer.
- Some units resulting from local government initiatives are not necessarily affordable to buy or rent at the outset, but may offer potential cost savings later on. For example, homes built with adaptable design features in the City of North Vancouver are sold at a range of market prices, but will be less costly to retrofit later should an occupant become disabled and require adaptations; and East Clayton residents may realize potential cost savings in transportation, as the mixed-use land pattern promotes walking.
- While information about the cost of these initiatives to local government was often unavailable because it was not calculated separately, it appears that staff spend time every year either developing or implementing the initiative. Several planners suggested that staff time amounts to about $15,000 annually. Some local governments hired consultants at the development stage of their initiative.
- Three out of ten initiatives received assistance from senior levels of government:
    - East Clayton, with grants from the Canada/BC Infrastructure Program, Affordability and Choice Today (ACT) and the GVRD, totalling over $1 million (to help meet sustainability goals);
    - A project in Victoria, which benefited from the property tax incentive program (TIP), also received RRAP funding; and
    - Central Saanich, which received an ACT grant to develop its guidelines.

## CHALLENGES

- Many initiatives introduce a new concept, policy or requirement. Some people find it difficult to accept change and there may be outright resistance on the part of developers, consumers, architects, builders, neighbours, and even municipal staff.
- There is also potential for a NIMBY reaction to arise. Overcoming these issues can be accomplished with consultation, public education, workshops, patience and flexibility. See the MCAWS reports entitled *Impact of Non-market Housing on Property Values, Research Counters NIMBY,* & *Towards More Inclusive Neighbourhoods* for more information.[26]



[26] http://www.mcaws.gov.bc.ca/housing/index.htm

- Several initiatives result from increased density either in the form of small lots or more units (e.g., neighbourhood initiated zoning in Burnaby). But even in these locations, there may be pressure to allow secondary suites, possibly increasing density to unacceptable levels, depending on servicing ability. In some cases, secondary suites are permitted, but not in others even though they may exist.
- In most cases, developers are not required to inform local governments of the selling price of units that have benefited from municipal concessions, and there is no guarantee the corresponding savings will be passed on to the consumer.
- In a fast growing market, affordable market units that benefited from local government assistance and sold for below market cost may escalate in value, so that subsequent buyers and renters do not gain the same advantage as the first in.
- Some of the initiatives are fairly complicated and require rezoning, such as OCP amendments and other legal agreements. They can be labour intensive, time consuming and frustrating for the developer and costly for the municipality. Still, subsequent applications may benefit from the finished process.
- Affordable housing is not the only amenity municipalities require and there can be competing amenities in the bonus zoning process. Discussions need to occur to set priorities for benefits such as affordable housing, a daycare centre or a seniors' centre. Policies in the OCP should outline the need for affordable housing.
- Many local governments ask if participating in affordable housing by providing incentives or other means, either directly or indirectly, is not a responsibility of senior levels of government. As a result, some have elected not to pursue this type of activity or have limited the amount of assistance provided.
- One initiative, Victoria's Downtown Heritage Property Tax Incentive Program, could be affected by new rules governing the application of GST on heritage properties. In certain situations, the change means an amount roughly equivalent to half the value of the property tax exemption must be paid as GST, reducing the positive effect of the TIP program.

## FACTORS FOR SUCCESS/LESSONS LEARNED

- First and foremost, councils need to be aware that affordable housing is important in a mixed community and municipal action is necessary for it to be built.
- The most successful way to manage affordable units in a private market building is through an existing housing organization.
- Having *residents* initiate a density increase allows the city to remain detached from the process, and potentially minimizes resistance. The city can take a neutral position as arbiter of the process. (This approach occurred in only one initiative. See p.11)
- Planners consistently highlighted the need for a supportive and committed council to launch initiatives. Councils need to be firm in their commitment,

even in the face of resistance or pressure.

- Regular open dialogue with stakeholders is required, early and throughout the process, and can include clear guidelines for public consultation, use of the design charette process, or use of an advisory committee.
- Public education and/or training for staff or the development community is seen as essential for success in introducing a new concept or regulations.
- New initiatives start slowly, providing time to educate developers, builders, consumers and municipal staff members.
- In several initiatives, support from third parties such as universities, ACT and the Urban Development Institute were instrumental to their successful completion.
- Developers like certainty. Ensure the legal framework is clear, policies are detailed, guidelines are specific and firm, and developers are provided with some degree of certainty about the assistance they will receive if a project proceeds.
- Several planners have continued to adapt and refine a model, tool or approach over the years, based on experience gained and feedback from stakeholders.

## SUITABILITY FOR REPLICATION

The ten examples in this guide were selected for their replicability, which means local governments currently have the authority to implement them and there were no unusual circumstances that contributed to their success. In fact, several have already been replicated—adaptable design guidelines and property tax exemptions, for example—or are variations of an existing model such as the housing reserve fund. Initiatives are not necessarily replicable in all situations or locations:

- Some tools may be successfully used in certain types of locations, or in the right economic climate. For example, the density bonus is effective in a fast growing area, where properties are built to the maximum density, and in areas zoned for medium or high density.
- The resident initiated small lot zoning initiative can occur only in older neighbourhoods with large lots and small homes.
- Adequate consultation with all affected parities is key to whether a particular project or initiative can be replicated elsewhere, owing to any unique local circumstances that may apply.

# APPENDIX

SUMMARY OF INITIATIVES

TABLE OF SUPPORTING MATERIALS

# SUMMARY OF INITIATIVES

| | Initiative | Category | Type | Location | Description of Initiative | Date Started | Number of units/buildings | Amenities | Affordability | City costs/benefits |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Neighbourhood Initiated Small Lot Zoning | Market Ownership | Zoning | Burnaby | Neighbourhood initiates an increase in density through rezoning that allows for current large lots to be developed into smaller lots. | 1994 | 7 applications for rezoning have created 400 additional new units. 90% are duplexes. | Majority of rezoned neighbourhoods are well-located relative to transit and shopping. | It is assumed that a unit on a smaller lot is more affordable than one on a large lot. Duplexes are more affordable than townhouses (because no monthly maintenance fee). | Annual staff cost is $15,000. City benefits through higher taxes from additional units per acre. |
| 2 | Zoning Tailored to a Development Application for Freehold Row Housing | Market Ownership | Zoning | Port Coquitlam | Created a new RM-3R zone in areas designated apartment to allow for freehold tenure row housing developments. | 2002 | 8 units to be developed. | | Row housing is more affordable than single housing. | Staff time, possible legal costs. |
| 3 | East Clayton Neighbourhood Concept Plan | Market Ownership and Market Rental | Zoning | Surrey | The Neighbourhood Concept Plan for the East Clayton area of Surrey includes zoning for a range of densities, including smaller lots, secondary suites, coach houses, and live/work housing. | 2003 | The estimated housing capacity is 4739 units, including 1030 homes on single dwelling lots and 1145 multiple family units. | NCP designates live/work districts, provides for pedestrian and bicycle routes, a dedicated greenway, parks, libraries, schools, and neighbourhood commercial facilities designed to be within walking distance of all residences. | Affordability is encouraged by the inclusion of a large number of small lot single-homes and duplexes, as well as provision for coach houses and allowing secondary suites. Average length of approval process is reduced because zoning and subdivision approval occurs more quickly within the context of a Neighbourhood Plan. | Staff time over 3 years. |
| 4 | Inclusionary Zoning for Affordable Housing | Low Cost Rental | Zoning | Bowen Island | A rezoning which resulted in 26 affordable rental units in return for increased density. A covenant on title and a housing agreement ensures rental accommodation will remain rental for 25 years and requires that the rents shall be no greater than 15% below the average rents for the Vancouver Census Metropolitan area, as determined by CMHC. | Mid-1990s | 26 low cost rental units. | | Rents are $595 for a studio (7% below average rents), $617 for a 1-bedroom unit (17% below average rents), $895 for a 2-bedroom unit + den (10% below average rents) and $1105 for a 4 bedroom unit. | Staff time beyond initial application fees is charged back to the developer. |
| 5 | Community Benefit Bonus | Low Cost Rental | Zoning | Burnaby | The Community Benefit Bonus (CBB) offers additional density to developers in Town Centre areas in exchange for the provision of affordable housing, social amenities, or a combination of the two. If affordable housing is provided, the City retains title and leases the units to a non-profit society, which assumes responsibility for managing the units. Housing is secured through a housing agreement registered on title. If housing is inappropriate to site, developer can alternatively contribute to a fund. | 1998 | 25 new low cost rental units in 3 developments. | Units are located in town centres near to services such as shopping and public transportation. | Tenants pay 30% of their incomes to rent. One development is designed to house individuals with mental and physical disabilities. | $15,000 for staff time. |

| | Initiative | Category | Type | Location | Description of Initiative | Date Started | Number of units/buildings | Amenities | Affordability | City costs/benefits |
|---|---|---|---|---|---|---|---|---|---|---|
| 6 | Downtown Heritage Tax Incentive Program | Low cost rental | Financial incentive | Victoria | The Program provides a property tax exemption granted by the City of Victoria to help defray cost of seismic upgrading in heritage-designated commercial buildings in the downtown core, especially those with vacant or under-utilized upper storeys that can be converted to residential units. | 1998 | 10 developments have resulted in 74 market rental and 16 condominium units, plus 70 low cost rental units, in the former St. Joseph's Hospital. | The units are downtown within easy access of amenities and transportation. | 70 low cost rental units renovated with the help of the Tax Incentive Program and RRAP funding from CMHC. The RRAP includes an agreement to ensure rents are at pre-established, affordable levels for a predetermined time frame. | Some loss in property tax revenue but once exemption expires, the property pays more in tax than before. Has created developments in similar non-heritage buildings in the area. |
| 7 | Development Cost Charges Using a Gradient System | ALL | Financial incentive | Kelowna | Revised DCCs are based on the density of a project and its location within the City. The initiative is based on the assumption that smaller units at higher densities cost less to service, as do more centrally located units where infrastructure is already in place. | 2004 | Two condominium developments with affordable units. | | It is hoped that lower DCCs for smaller units, centrally located, will lead to more affordable housing. | Consulting fees of $17,000 to review existing charges, identify options, and complete implementation. |
| 8 | Adaptable Design Guidelines | ALL | Community Planning | City of North Vancouver | The Guidelines were created to ensure that housing accommodates the changing needs of residents & supports the independence of seniors and those with physical challenges. There are 3 different levels, each requiring a certain level of accessibility & adaptability. All units in medium & high-density residential zones must be either Level 1, 2 or 3 Adaptable Design. Since October 2003, all applicable developments require a minimum of 20% Level 2 & 5% Level 3 Adaptable Design, with an excluded floor area incentive; 20 sf for each level 2 unit & 45 sf for each Level 3 unit. Guidelines are currently being updated. | Created in 1996 and adopted in 1998 | Approximately 400 Adaptable Design units have been built and occupied since 1997. 300 of these units are Level 2 or Level 3. As of Spring 2004, approximately 900 units are under development. | Accessibility. Most units are located in areas rich in services and amenities, including transportation. | The AD units are mostly market ownership, and sell at a range of prices. The Guidelines have also been used in two non-profit developments. If changes need to be made to the units at a later date to accommodate physical limitations, it is more affordable than if the units had not been designed for adaptability. | Initial development of the Guidelines required a significant amount of staff time, but other municipalities are welcome to use them. The building inspection process means ongoing costs. |
| 9 | Residential Development Applications Evaluation Guidelines | ALL | Community Planning | District of Central Saanich | Guidelines were developed to ensure that affordable housing is part of any rezoning application in Central Saanich. Developers must complete an application form that includes a set of specific guidelines in order for an application for rezoning to be considered. The guidelines outline the conditions for increasing density, types of tenure, access to services & achieving neighbourhood community acceptance. The purpose is to "develop a consistent rationale & approach for evaluating residential development applications". | 2002 | To date, 2 developments with 26 units in total have been approved. Another 3 projects are awaiting approval.<br><br>The goal is to approve a total of 100 affordable or subsidized dwelling units in the next 3 years. | | Market ownership – seven homes - five single dwellings & two single level homes for seniors.<br><br>Market rental - 42 rental units.<br><br>Low cost ownership - 2 units for Habitat for Humanity.<br><br>Low cost rental – 66 seniors units for assisted living. | |

| | Initiative | Category | Type | Location | Description of Initiative | Date Started | Number of units/buildings | Amenities | Affordability | City costs/benefits |
|---|---|---|---|---|---|---|---|---|---|---|
| 10 | Housing Opportunities Reserve Fund | ALL | Financial incentive | Kelowna | Fund established to acquire lands on which to build housing that could be leased to non-profit organizations or to developers in a public-private partnership to produce affordable housing. | 2001, updated in 2004 | None to date. | | | |

# SUPPORTING INFORMATION

| | Initiative | What items | Where found |
|---|---|---|---|
| 1 | Burnaby - Small Lot Zoning | R12 Small Lot Single Dwelling Option – Report to Housing Committee of Council March 2003 recommending approval<br><br>Report to Community Planning & Housing Committee recommending improvements to the community consultation process- Feb. 2002<br><br>Bylaw about Residential District R12<br><br>2 examples of the brochures and one questionnaire. | Hard Copy<br><br>Hard Copy<br><br>Hard Copy and on web at: http://burnaby.ihostez.com/contentengine/document.asp?print=yes&id=7462<br>The full Bylaw can be found on the Burnaby Site: www.city.burnaby.bc.ca under Bylaws, Zoning Bylaw.<br><br>Hard Copy |
| 2 | Freehold - POCO | Zoning Bylaw No 2240<br><br>Report to Council – Sept. 03 for the rezoning of assembled site for row housing.<br><br>Draft Terms of Instrument (219 Covenant) including party wall agreements, etc. (final documents may be ready for Guide) for 1st freehold row housing development<br><br>Freehold Tenure Row Housing, a discussion paper from the GVRD | http://www.city.port-coquitlam.bc.ca/Departments/Planning/ZPS.HTM , choose zoning<br><br>Hard Copy but has been marked up<br><br>Available, can be electronically sent to MCAWS<br><br>http://www.mcaws.gov.bc.ca/housing/ |
| 3 | East Clayton – Surrey | Reports to Council:<br>· Feb.03: Final Report to Council on NCP, recommending approval; and<br>· Feb 04: on the status of development and some recommendations<br>Plus info from open houses, maps etc.<br><br>NCP found at: Bylaws:<br><br>Amendments to the zoning bylaw for East Clayton are probably on the Web but I don't know the number.<br><br>Designing With Nature: Integrate Perspectives to Achieve Sustainable Community Design – From the Outreach and Continuing Education Program prepared for the Water Balance Model Forum held in May 04. | http://www.city.surrey.bc.ca/default.htm<br>choose Doing Business - Land Development & Building - Plans & Policies - Plans in Progress - East Clayton NCP.<br><br>Doing Business - Land Development & Building - Plans & Policies - Secondary Plans (NCPs)<br><br>See: http://surrey.ihostez.com/contentengine/launch.aspFor bylaws.<br><br>Hard Copy |
| 4 | Inclusionary Zoning - Cates Hill on Bowen Island | Housing agreement | Available as a PDF file which we can send to MCAWS. |
| 5 | Community Benefit Bonus - Burnaby | Density Bonus as a section in Supplementary Regulations of the Zoning Bylaw.<br><br>Report to Community Planning & Housing Committee from the Director of Planning, with recommendations to create the CBB | www.city.burnaby.bc.ca - City Hall - Bylaws - Zoning Bylaw - Supplementary Regulations, scroll down to 6.22: Density Bonus<br><br>Hard Copy |
| 6 | Heritage Tax Incentive – Victoria | In depth Info about the program including guidelines and how to apply<br><br>Example of Bylaw<br><br>Application Forms | www.city.victoria.bc.ca - Departments - Planning and Development - Planning - Heritage - Tax Incentive Program for Residential Conversions<br><br>Hard Copy of a bylaw for one project (each project requires a new bylaw).<br><br>Hard Copy |

| | Initiative | What items | Where found |
|---|---|---|---|
| 7 | DCC gradient system - Kelowna | Bylaws | www.city.kelowna.bc.ca , choose Bylaws, choose Development Cost Charge Bylaw No. 9095.pdf (1094kb) |
| 8 | Adaptable Design Guidelines – City of North Vancouver | Guidelines<br>Illustrations<br>Bylaw<br>Powerpoint presentation | To be updated shortly. Contact municipality.<br>Municipality.<br>Municipality.<br>Municipality. |
| 9 | Residential Develop Applications Evaluation Guidelines – Central Saanich | Guidelines Application form | hard copyhard copy |
| 10 | Housing Fund - Kelowna | Bylaw – Number 8593 and other documents related to this fund.<br><br>A report to Council recommending the City proceed with a CFP on a site which features affordable housing and 40% of revenue going into HORF. Includes discussion on affordable housing needs, land rates lease vs. sale, and bylaw establishing the HORF. | Available from www.city.kelowna.bc.ca , select Bylaws from the menus and use search.<br><br>www.city.kelowna.bc.ca - Council - Meetings - July 21, 2003 - Item 5.10 |

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